

2022 Annual Report

Notice for readers:

This English Annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.



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Future, we make it brighter 

2022
Annual Report



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Overseas Securities Exchange: None.

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I. Letter to Shareholders

1. Business Results for 2022

(1) Business Plan Implementation Results

The consolidated revenue of Asia Optical Co, Inc. (hereinafter as “**AOCI**”) in 2022 amounted to NTD 19.077 billion, and Consolidate Net Income Attributed to Stockholders of the Company achieved about NTD 0.924 billion. EPS was NTD 3.29.

Looking into the future, with the applications and bursting transmission of 5G and algorithm for Artificial Intelligence (AI), AOCI will continuously develop the advanced AR/VR and 3D LiDAR optical transceiver modules. By using technological superiority in aspheric glass lenses, AOCI has been exerting its own expertise to manufacture diversified products, including optical components, car lenses, rifle scopes, laser range finders, intelligent video conference devices, Automated Guided Vehicle (AVG), Autonomous Mobile Robot (AMR), and other products, which will bring in multiple benefits. The application of product diversity with technological innovations will get AOCI ahead of the curve in the future, such as for Metaverse development.

(2) Budget Execution Situation

Not applicable. AOCI did not disclose any financial forecast in 2022.

(3) Cash Receipts and Expenditures, and Profitability Analysis

1. Statement of Cash Receipts and Expenditures

In 2022, the beginning cash balance of AOCI was NTD 10,187,063 thousand. Cash inflows from operating activities this year was NTD 2,298,977 thousand. Total source of capital was NTD 12,486,040 thousand, which is enough to cope with the demand from investing and financing activities cash outflows in 2022. Ending cash balance remains NTD 9,179,112 thousand.

2. Profitability Analysis

Unit : %

Project Analysis		2021	2022
ROA(%)		8.76	6.26
ROE(%)		12.15	8.80
Ratio of Paid-In Capital(%)	Profit From Operation	72.76	47.52
	Profit Before Income Tax	74.27	61.10
Net Profit Margin(%)		8.93	7.05
EPS(Note.)		5.34(NTD)	3.29(NTD)

Note. If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

(4) Research and Development Status

1. Percentage of Research and Development Expenditure in Net Sales in Recent 2 Years

Unit : NTD thousands

Year	2021	2022
Net Sales	20,976,807	19,077,048
R&D Expenditure	831,225	849,500
Percentage of Net Sales	3.96%	4.45%

2. Research & Development Results in Recent 2 Years

(1) 2021:

- A. Accomplishment of development and mass production of laser distance sensor (LDS) motor modules for household robotic vacuum cleaners
- B. Accomplishment of development and mass production of new binocular telescope range finders
- C. Continuous development of 3D TOF Laser range finder modules
- D. Continuous development of 2D TOF Laser range finder modules
- E. Accomplishment of development of Non-invasive Vascular Screening

Devices

- F. Accomplishment of development of SP360 Action Cameras
- G. Development of 10X folded type zoom lens modules for smart phones.
- H. Continuous development of 3D LiDAR modules
- I. Continuous development of IP Cam Lens modules
- J. Continuous development of automotive lens modules
- K. Accomplishment of development and mass production of deep depth of field (DOF) sensor products
- L. Accomplishment of development and introduction into more competitive lead-frame material
- M. Accomplishment of IC evaluation and verification for multi-alternative materials
- N. Accomplishment of designing and development of AOI sensors for industrial inspection purposes

(2) 2022:

- A. AMR Multifunctional Delivery Robots were subsidized by the Industrial Development Bureau, Ministry of Economic Affairs (IDB, MOEA) for Innovative Smart Service Promotion Plan
- B. Continuous development of 3D LiDAR Projects for automotive
- C. Initial trial production of digital laser range finder (D-LRF) modules
- D. Continuous development of OIS binoculars
- E. Continuous development of OIS binocular telescope range finders
- F. Development of 10X folded type zoom lens modules for smart phones
- G. Continuous development of 3D LiDAR modules
- H. Continuous development of IP Cam Lens modules
- I. Continuous development of automotive lens modules
- J. Continuous development of AGV (Automated Guided Vehicle) and AMR (Autonomous Mobile Robot) modules
- K. Accomplishment of development and small production of AOI sensor products
- L. Accomplishment of development and introduction into more competitive lead-frame material
- M. Accomplishment of development and mass production of high speed multi-channel color chip CMOS image sensor (CIS) modules
- N. Accomplishment of development of high speed test bench platform

for high-end products

3. Future Research & Development Strategy

In terms of future research and development, with the steady and active attitude and spirit, along with the innovation-driven, quality-oriented, and service-oriented persistence, AOCI has continuously synchronized the mechanical and electronic technology professionals to complete its techniques for developing the fast-growing high-end technology products to reveal the integration of optoelectronics strength. In terms of future research and development strategy, AOCI will focus on developing below strategy implementations to build up a high degree of competitiveness in company's long-term growth.

AOCI will be devoted to put the following research and development strategies into practice, in order to increase competitive advantages and future sustainable growth.

- (1) To upgrade the quality and quantity of research and development human resources in Taiwan, China, and Japan for building up the core research and development strength.
- (2) To value the importance of innovation and creativity to accumulate global intellectual property and patents to prepare the unbreakable strength for core competitiveness for striving the world NO. 1.
- (3) To devote efforts to develop futuristic and diversified optoelectronics products and step in the cross-field of biomedical technology.
- (4) To uphold the critical techniques to create significant powers with outstanding core technologies and be the lead in the optoelectronics industry.

2. Business Plan Summary in 2023

(1) Business Strategy

AOCI's 2023 main business strategies are as follows.

A. Continue to promote and implement the performance management and performance evaluation.

- ① Expand the Myanmar Factory base and produce best operational efficiency.
- ② Show the Glass Molding and Plastic Molding lens modules (G+P) to good advantage, and make an all-out effort to promote and market the Folded Zoom Modules.
- ③ Execute comprehensively the application of AI+5G, and accelerate the pace of development in AR/VR and 3D LiDAR

B. Put “Honesty and Integrity” business philosophy into practice and combine the performance management tied to salary positions to strengthen the corporate governance mechanisms for pushing the corporate ESG (Environment, Social, and Governance) sustainable development.

(2) Sales Volume Forecast and Related Information

Not applicable. AOCI did not disclose any financial forecasts in 2023.

(3) Significant Manufacturing and Marketing Polices

A. Combine all production sites advantages to create best benefits.

- ① Taiwan: the company headquarter and R&D center, designing and manufacturing high-end optical components.
- ② Shenzhen/ Dongguan/ Shanghai: Optical components, mechanism parts, and main final finished products assembly production bases.
- ③ Tokyo: new cutting-edge market information and products R&D center, providing customers with best services in the front line.
- ④ Philippines: a production base of rifle scopes, exporting to the United States by taking the advantage of tax exemption.
- ⑤ Myanmar: a main production base of spherical lenses.

B. Integrate vertically with upstream and downstream products based on the optical core technologies to bring diversified operations.

- ① Optical lenses: glass molding lenses, plastic lenses, hybrid aspherical lenses, and precision glass molding of aspherical lenses.....etc.
- ② Optical parts and components: camera lenses for smartphones and

cameras, projector lenses, contact sensor modules for printers, and pico projector modules.

- ③ End products: pico-projectors, rifle scopes, range finders, binoculars and optical microscopes.....etc.

C. Strengthen Green product systems and implement the Corporate Social Responsibility and environmental protection responsibility.

- ① Build a green supply chain in order to suit the international trends and satisfy the needs of customers.
- ② Make green product management into the ISO system and set up standard management process flow to enhance customers' satisfaction.
- ③ Reinforce the management of prohibited chemicals and restricted chemicals to prevent from manufacturing defective products.

D. Master the consumer markets and develop diversified and versatile products.

- ① Reinforce the connection between optical and electrical technologies, such as touch screen monitors, face detection system, full view panoramas, and so on in order to develop and bring out more high added- value digital products.
- ② Continue to expand the terminal applications of optical technology, such as cell phones, smartphones, lap tops, projectors, and pico-projectors.....etc.

3. Future Development Plan and Strategy of AOCI

(1) Three Major Three Axes in Business Operation

A. Optoelectronics and photonics product:

AOCI is developing new models over 6-times magnifying function with TOLED (transparent organic light-emitting device) added to expand the high-intermediate markets for rifle scopes.

B. Medical Equipment Products:

AOCI is working continuously on clinical trial experiments to get the approvals from FDA, CFDA, and CE in PASESA product lines, and also promoting the portable non-invasive cardiovascular measuring instrument into home medical equipment health care market.

- C. Optical Components and Parts:
AOCI is developing all kinds of high-end lenses, optical components, and optical parts to enlarge and expand the technology techniques and capacity scale.
- (2) Vertical Integration and Horizontal Diversification Synchronized Strategy
 - A. AOCI deepens the abilities of optical design, mechanism design, and electronics integration to increase the capacity of in-house manufacturing and cost control.
 - B. AOCI develops innovational products on the basis of optical core technologies to cater to the market trends and lower the risks of concentrating on certain products.
 - C. AOCI adopts vertical integration and horizontal diversification synchronized strategies to expand the economic scale.
 - (3) Value and enhance the importance of Intellectual Property Rights
 - A. AOCI enhances our ODM techniques and abilities for products actively. Also, AOCI continues building up a global patent protection net to reinforce our technical threshold.
 - B. AOCI heightens the intellectual property rights management system through TIPS (Taiwan Intellectual Property Management System) and lowers the legal risks to the company.
4. Impact of External Competitive Environment, Regulatory Environment and the Overall Business Environment
- (1) Impact of External Competitive Environment
With the ever-changing nature of technology in optoelectronics industry and the rise of IoT (Internet of Things), Industry 4.0, AI, Self-Driving cars, AR/VR and so on, the optoelectronics industry is off to play the leading role in the fields of the image-sensing and the laser applications. AOCI upholds the laser designing techniques, Opto-Mechatronics Engineering integrated technology, and the capacity of mass production, which will bring a great deal of obvious advantages in the development of future optoelectronics industry.

(2) Impact of Regulatory Environment

As each country has continued set up regulation which keeps pace with the time, AOCI timely grasp all the changes in laws and regulations related to business operation. Through evaluating the risk which AOCI is facing, the Company will make operational and strategic adjustments according to the laws and regulations.

(3) Impact of the Overall Business Environment

In prospect to 2023, the impact of COVID-19 pandemic constantly affects the global economy. Major economic and social research institutes are downgrading the global economic forecasts for 2023 and warn of a long, slow recovery that will stoke poverty and damage growth. All consumer electronics market will fluctuate according to the overall global environment. Facing a more challenging global environment, AOCI still focuses on its core business with cautious attitude, not only strengthening the power in vertical integration and product diversification, but also continuing in the development of new products with high-potential markets by its core optoelectronics technique and synergistic effects in optoelectronic and mechanronic systems. AOCI will continuously work on diversifying business operation and striving for the maximization of shareholders' equity.

Chairman: I-Jen Lai

General Manager: Tai-Lang Lin

Accounting Manager: Wen-Keh Weng

II. Company Profile

1. Date of Incorporation: October 9th, 1980

2. Company History

1980	AOCI has been incorporated in October, 1980.
1982	Cooperated with Sekon Co., Ltd. (Japan) to produce all kinds of optical lenses. To supply camera lens to Ricoh (Taiwan).
1984	Technical Cooperation with Kenko Co. (Japan) to design and sell telescopes all over the world.
1985	Cooperated with TASCOS (US) to produce riflescopes.
1986	Cooperated with TASCOS (US) to produce binoculars and telescopes.
1987	Breakthrough the process technology of local roof prism technology.
1988	Foreign Investment Business Units were set up in Southeast Asia to supply DC motors, lens polishing and other assemblies.
1989	Microscope was successfully developed together with Olympus Japan.
1990	Photonics R&D Center was set up.
1991	JV with Ricoh (Japan) to set up Tailien Optical Co., Ltd. to produce high quality cameras. Introducing Japanese leading layer coating know-how to successfully develop all kinds of optical layer coating. E.g. AR coating, high-reflective coating, narrow band filter coating, IRCOAT and UVCOAT.
1992	Cooperated with LIKE (Japan) to successfully develop an environmental friendly high-speed centrifuge (RD-1) dedicated to the protection of Ozone layer. Developed the broad-band Optical Monitoring System with ITRI, and introducing its auto optical-film processing system. Cooperated with Konica (Japan) to produce photocopier lens; and with Sharp (Japan) to produce scanner lens. In August, successfully designed half-mirror for CD; in November successfully developed a super-compact and powerful binocular under the trade name of "CUTELITE."
1994	In February, cooperated with ITRI to develop nonlinear crystal coating; in April to develop the optical pick-up head for MODD. In June the launch of production of monocular for Sony.
1995	JV with RICOH ELEME to produce copy machine accessories units.
1996	Laser rangefinder was successfully developed; mass production was started in the coming April.
1997	Laser riflescope was successfully developed and marketed. In August, JV with Nikon (Japan) to produce high-end cameras.

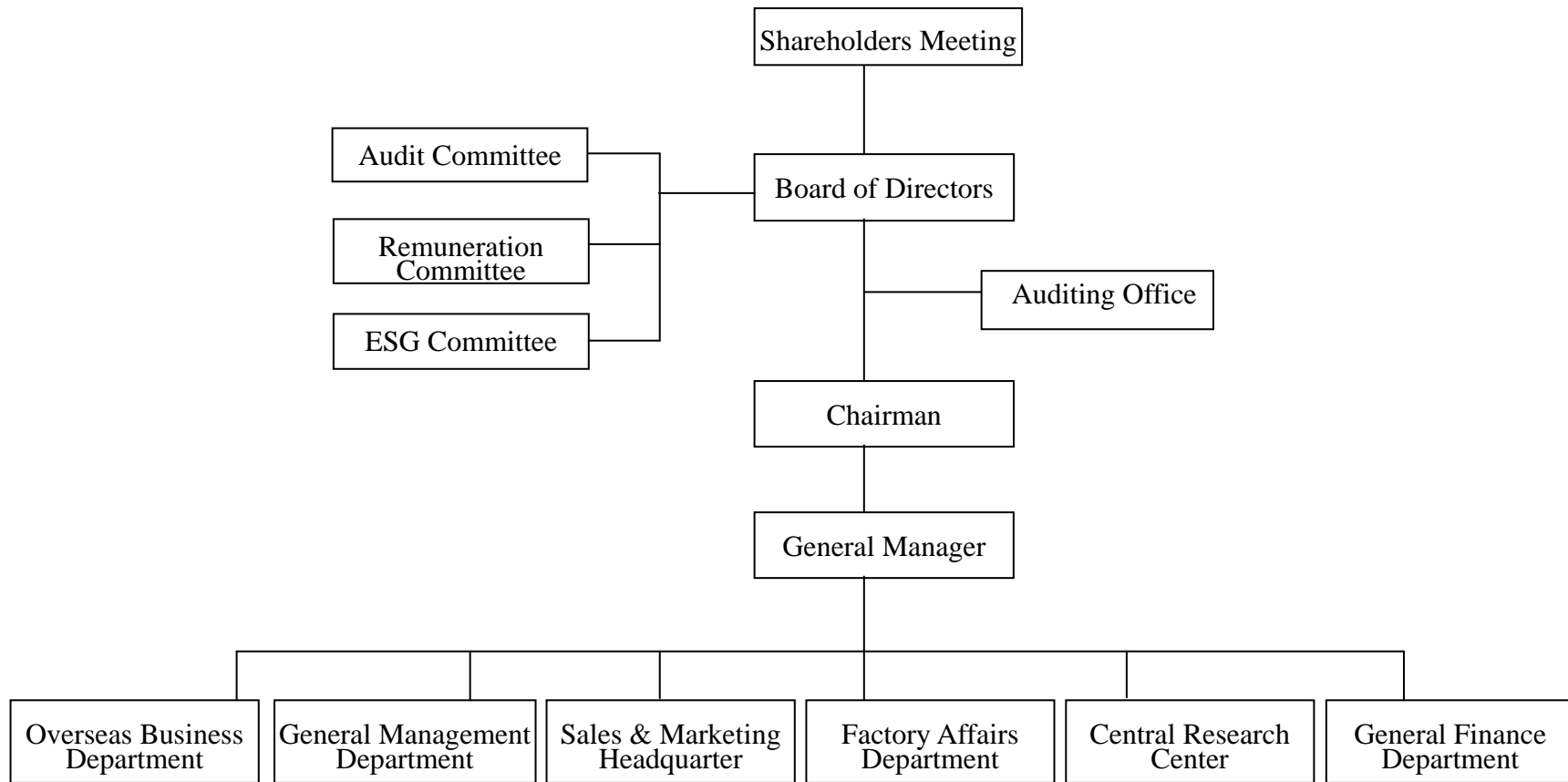
1999	JV with Nikon (Japan) to set up Hang-Zhou Nikon Camera Co., ltd. to produce high quality camera components.
2000	Cooperated with Pioneer (Japan) to produce the optical pick-up head for DVD –ROM, RW; furthermore, into the production of DVD ROM. In October, AOCI was publicly listed in Taiwan Over The Counter Stock Exchange.
2001	Laser range finder won the Outstanding Prize in Photonics section in August. The Construction project of An-He Branch Office was completed in September. In December, AOCI received ISO 14001 Certification.
2002	ECB (European Convertible Bond) was successfully launched in April. On August 26, AOCI became a publicly listed company on the main board of Taiwan Stock Exchange (TWSE). In August, Shenzhen Gong-Ming Factory was established.
2003	In February, Vice President of Legislative Yuan, Mr. Bing-kun Jiang visited Asia Optical Co., Inc. In March, Small Business Integrated Assistance Center led National Representative from 15 countries including Russia, Poland, Costa Rica, and Honduras...etc. to visit Asia Optical Co., Inc. In May, President of Republic of China (R.O.C.) visited Asia Optical Co., Inc. In August, TOKYO T.S. OFFICE was established.
2004	In January, AOCI officially signed the contract with Ricoh Co., Ltd. to acquire 85.5% share of Taiwan Ricoh Co., Ltd. Total invested amount was NT\$473 million. In July, Shanghai/Jiading Factory was established. ASIA TECH IMAGE INC. was established.
2005	In February, Mr. Yang Ru Dai, the vice chairman of the National People's Congress, visited Dongguan Sintai Optical. In March, a joint venture company with Japan Pentax Precision Co., Ltd. was established and named Pentax Precision Co., Ltd. Its main products are optical engines for black and white laser printers and related components. In August, The Chinese name of Taiwan Top Optical Co., Ltd. was changed from 台灣理光 to 台灣禮光。 In October, AOCI received the Outstanding Innovation Award of ITA Award (Industrial Technology Advancement) by the Ministry of Economic Affairs.
2006	In June, SHANGHAI FPC operations started. In December, Winning third place in Optronics industry for the investigation of benchmark enterprises reputation.
2007	In June, Opti-Fault Locator won the Excellent Optoelectronic Product Awards in Taiwan.
2009	In June, Full-Crossline Laser won the Excellent Optoelectronic Product Awards in Taiwan.

2010	Asia Optical Co., Inc. and Microvision's collaborated "SHOWWX" Pico Projector won the Last Gadget Standing CES 2010 in January. Asia Optical Co., Inc. won: 2010 National Invention and Creation Award" from the Intellectual Property Office of the Ministry of Economic Affairs in September. Asia Optical Co., Inc. won Gold Award in VGP (Visual Grand-Prix) in November.
2011	In November, ASIA TECH IMAGE INC. was officially listed in Taipei Exchange (previously called "GreTai Securities Market (GTSM)").
2012	In August, Asia Optical Co., Inc. was rewarded for 2012 TTQS (Taiwan TrainQuali System) from Bureau of Employment and Vocational Training, Council of Labor Affairs, Executive Yuan.
2013	In October, laser rangefinder riflescope was honored by 2013 National Invention and Creation Award.
2014	Issued Convertible Bonds into common stocks for adding up NT\$454,500 to its capital. Paid-in capital was NT\$ 2,810,839,010 after capital increase.
2015	SP360 Action Camera was awarded with the Best Digital Camera Product in 2014 by PCPOP Website in China, as well as Best of CTIA 2014 Award. SL5 product was awarded with CES Best of 2015. In June, Asia Optical Co., Inc. cooperated with Shisei datum (Japan) to develop and launch out PASEA (Portable Cardiovascular Measuring Instrument). Meanwhile, Asia Optical Co., Inc. officially announced to step into the medical equipment fields to grasp the business opportunity of health management.
2016	KILO2000 product won the Excellent Optoelectronic Product Awards in Taiwan.
2017	In January, PIXPRO SP360 4K VR products won the Editors' Pick Award from TWICE, the CES prestigious website.
2018	Blood Type Measuring Intelligent Medical Equipment product was rewarded with funding from the Innovation Platform and Innovation Optimization of Industrial Development Bureau, Ministry of Economic of Affairs.
2019	AOCI has been selected as the Top 20 Happy Enterprises from 1111 Job Bank in Manufacturing and Technology Industry in 2019.
2020	AOCI received the IATF16949 (the requirements of a quality management system for organizations in the automotive industry) Certification.
2021	AOCI has pushed forward the ESG factors and implementation into the Company's corporate governance, and also established the ESG Committee.
2022	AMR Multifunctional Delivery Robots were subsidized by the Industrial Development Bureau, Ministry of Economic Affairs. (IDB, MOEA) for Innovative Smart Service Promotion Plan.
2023	AOCI executed the capital reduction through cancellation of treasury shares in the amount of NTD 18,400,000, and the amount of paid-in capital was NTD 2,792,439,010 after the capital reduction.

III. Corporate Governance Report

1. Organization

(1) Organization Chart



(2) Business Operations and Responsibilities of Major Departments

Department	Job Responsibilities
General Affairs Management Department	<ol style="list-style-type: none"> 1. To manage all the general affairs, human resource related matters, and personnel trainings. 2. To plan and execute the personnel training policies, also manage the ISO certification process and execution, etc. 3. To manage the company's IP rights ,solve the legal related problems, review and evaluate the contracts and agreements...etc.
Sales & Marketing Department	<ol style="list-style-type: none"> 1. To manage the product quotations and provide quotations to customers. Also, to deal with customer claims. 2. To collect marketing trends information, be responsible for developing customers and marketing plans, and be a coordinator to assist and facilitate the customers and the related departments in company for better communication. To review the contracts and orders with the legal department.
Factory Affairs Department	<ol style="list-style-type: none"> 1. To implement plans for mass production and shipment. 2. To be responsible for purchasing and procurement for raw materials, parts, components, molding tools, necessary machinery and other materials. 3. To be responsible for quality control and quality assurance matters. 4. To maintain and fix the equipment or public facilities at company. To responsible for industrial safety and health management. 5. To execute the factory improvement projects and performance management.
Central Research Center	<ol style="list-style-type: none"> 1. To coordinate the progress of designing and research development, and also to integrate all the resources and allocations. 2. To set up the standards of specifications of finished goods (products), parts and components. 3. To set up the standards of finished goods (products), engineering and construction specifications, and engineering techniques. 4. To design and construct the documents and matters regarding to tool designing.
Auditing Office	<p>To execute independent examination of all company internal operation business of each department for internal controls, and also report to directors for improvements.</p>
General Financial Department	<ol style="list-style-type: none"> 1. To take in charge of financial planning, capital movement, capital management, cashier affairs, and etc. 2. To conduct general accounting, cost accounting, cost analysis, taxation, business analysis and budget control. 3. To manage investments, joint ventures, and etc. 4. To manage company stock affair business, shares, and other related matters. 5. To be in charge of contacts between investors, legal entities

	and fund, and the media press for information communication.
Overseas Business Department	To take in charge of the overseas joint venture business in production, operation, product assurance, customer service, and etc.

2. Information Regarding Directors, Supervisor, General Manager, Assistant General Manager(s), Deputy Assistant General Manager(s), and The Manager of Each Department and Branch Institution

(1) Information Regarding Board Members and Supervisors

1. Directors' Names, Work Experiences (Educational Background), Amount and Nature of Shareholdings:

2023.04.15

Title	Nationality of place of registration	Name	Gender & Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Use The Name of Others Shareholding		Education/Work Experiences	Other positions at the Company or elsewhere	Other officer, director of supervisor who is the spouse or a relative within second degree			Note. (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Tshh-Mei Industrial Co., Ltd.	-	2022.06.14	3 Years	2022.06.14	16,000,000	5.69%	16,500,000	5.91%	0	0	0	0	-	None	None	None	None	None
Chairman	R.O.C.	Tshh-Mei Industrial Co., Ltd. Representative: I-Jen Lai	Male 71~80	2022.06.14	3 Years	1985.10.20	17,907,039	6.37%	3,000,000	1.07%	33,061	0.01%	34,665,440	12.41%	Business Administration Department, Taiwan Provincial Taichung College of Business	1.Chairman of : Asia Optical International Ltd./Powerlink Electronic International Ltd./Tailien Optical/Dongguan Sintai/Shen Zhen Sintai Optical/Richman/Taiwan Top Optical /Shanghai Sintai Optical/Myanmar Asia Optical/Asia Tech Image Inc. /Asia Image Tech (Samoa)/Asia Tech Image (Shenzhen)/AOE Optronics/AOE(CAYMAN)/AOE Optronics(Shenzhen)/POWERLINK(CAYMAN)/ASIA SCOPRO/Yorkey Optical International (Cayman) Ltd./Yorkey Optical Technology/AOIC/Crosszone/ASAM 2.Chief Executive Officer, Asia Tech Image Inc.	None	None	None	None

Director	R.O.C.	Shu-Ping Wu	Female 51-60	2022.06.14	3 Years	2004.10.15	358,559	0.13%	358,559	0.13%	0	0.00%	0	0.00%	Business, National Open University, Taiwan Director and Assistant General Manager of General Finance Dept. & Spokesperson, Asia Optical Co., Inc.	Director of Yorkey Optical International (Cayman) Ltd., Asia Tech Image (Shenzhen), AOIDC, Taiwan Top Optical ,and AOE Optronics (Legal Representative) General Manager, Asia Tech Image Inc.	None	None	None	None
Director	R.O.C.	Tai-Lang Lin	Male 71-80	2022.06.14	3 Years	2010.10.15	388,978	0.14%	388,978	0.14%	0	0.00%	0	0.00%	MBA, National Taichung University of Science and Technology 7 years of Marketing Strategist and Manufacturing Manager at Texas Instrument 6 years of BASO Precision Optics Ltd., Taiwan 7 years of General Manager at Chi Cheng Enterprise Co., Ltd. USA Branch & 2.5 years of General Manger at Chi Cheng Enterprise Co., Ltd. Taiwan 23 years of General (Vice) Manager at Asia Optical Co., Inc.	Director of Shen Zhen Sintai Optical Co., Ltd. & AOE Optronics Co., Ltd. (Legal Representative) Supervisor of AOIDC	None	None	None	None

Director	R.O.C.	Yu-Jiang Lin	Male 61~70	2022.06.14	3 Years	2016.06.08	1,724,156	0.61%	2,368,081	0.85%	0	0.00%	0	0.00%	Department of Chemistry, Tunghai University	1. Vice General Manager of HENME CHEMICAL INDUSTRIAL CO., LTD. 2. Director of HENME CHEMICAL INDUSTRIAL CO., LTD. 3. Director of HENME Trading Corp. 4. Independent Director of Edimax Technology Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Hui-Ming Lu	Male 61~70	2022.06.14	3 Years	2016.06.08	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Practicing CPA, Deloitte & Touche	1. Hui-Ming Lu CPA Firm 2. Independent Director, Taiwan Optical Platform Co., Ltd. 3. Independent Director, Ever Supreme Bio Technology 4. Director of Fenglong Securities Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Teng-Ko Chung	Male 51~60	2022.06.14	3 Years	2016.06.08	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Law, National Chengchi University	1. Lawyer, CHUN-LUN International Law Firm 2. Independent Director of DEPO Auto Parts Ind. Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Chyan-Long Jan	Male 61~70	2022.06.14	3 Years	2019.06.10	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master Degree of Accounting, University of Missouri Doctoral Degree of Nova University	1. Professor and Officer of Academic Affairs at Soochow University 2. Independent Director of JESS-LINKPRODUCTS CO., LTD. 3. Independent Director of TAIWAN SEMICONDUCTOR CO., LTD. 4. Director of HERAN Co., Ltd.	None	None	None	None

2. Major Shareholders of Corporate Shareholders:

April 15th, 2023

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders
Tsih-Mei Industrial Co., Ltd.	I-Jen Lai (44.14%) / Shu-Chen Chen (15.91%) / Chun-Chia Lai (17.04%) / Chun-Yu Lai (10.43%) / Chun-Hou Lai (12.47%)

3. Major shareholders of Corporate Shareholders belonged to Corporate Shareholder Representatives: None.

4. Where the chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a relative within first-degree of consanguinity, the reason, rationality, necessity, and countermeasures (such as increasing the number of independent director seats and more than half of all the directors not concurrently serving as employees or the president) must be disclosed: None.

5. Information Disclosure Concerning Directors and Independent Directors' Professional Qualifications and Compliance of Independence

Criteria Name	Professional qualifications and experiences (Note 1)	Compliance of Independence (Note 2)	Number of Other Taiwanese Public Companies concurrently Serving as an Independent Director
Chairman I-Jen Lai	Has at least five-year work experience necessary for the business of the Company; currently served as the Chairman of the Company BOD with no violation against any of the circumstances in the subparagraph of Article 30 of the Company Act	<p>(1) No spousal relationships or family relationship within the second degree of kinship among other directors.</p> <p>(2) No representatives of the government or justice person be elected under the provisions of Article 27 of the Company Act.</p> <p>(3) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership company, or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000 or a spouse thereof.</p>	None
Director Shu-Ping Wu	Has at least five-year work experience necessary for the business of the Company; currently served as Director of the Company BOD with no violation against any of the circumstances in the subparagraph of Article 30 of the Company Act	<p>(1) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(2) Not a manager nor a director or a supervisor of the Company or its affiliated enterprise, not a spouse, relative within the second</p>	None

<p>Director Tai-Lang Lin</p>	<p>Has at least five-year work experience necessary for the business of the Company; currently served as Director of the Company BOD and General Manager with no violation against any of the circumstances in the subparagraph of Article 30 of the Company Act</p>	<p>degree of kinship, or lineal relative within the third degree of kinship of a manger in (1).</p> <p>(3) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).</p> <p>(4) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.</p> <p>(5) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.</p> <p>(6) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership company, or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000 or a spouse thereof.</p>	<p>None</p>
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<p>Director Yu-Liang Lin</p>	<p>Has at least five-year work experience necessary for the business of the Company; currently served as Director of the Company BOD with no violation against any of the circumstances in the subparagraph of Article 30 of the Company Act</p>	<p>(1) Not an employee of the Company or its affiliated enterprise. (2) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders. (3) Not a manager listed in (1) or a director or a supervisor of its affiliated enterprises. Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of a manager in (2). (4) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (5) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (6) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary of the same parent company in accordance with the Act or with local laws). (7) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (8) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution than audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws, and regulations related to mergers and acquisitions. (9) Not Having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the company Act of the R. O. C.</p>	<p>1</p>
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Independent Director Hui-Ming Lu	With at least five-year work experience necessary for the business of the Company; graduated with Master of Accounting, Soochow University; a CPA retired from Deloitte & Touche; a guest lecturer at Feng Chia University; currently serves as an independent director of Taiwan Optical Platform Co., Ltd. and Ever Supreme Bio Technology with no violations against any subparagraph of Article 30 of the Company Act	(1) Not an employee of the Company or its affiliated enterprise. (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).	2
Independent Director Teng-Ko Chung	With at least five-year work experience necessary for the business of the Company; graduated with Bachelor of Laws, National Chengchi University; served as a supervisor & legal representative of DEPO Auto Parts Ind. Co., Ltd.; currently serves as a Founder Attorney of CHUN-LUN International Law Firm with no violation against any subparagraph of Article 30 of the Company Act	(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in	1

Independent Director Chyan-Long Jan	With at least five-year work experience necessary for the business of the Company; graduated with Master of Accounting, University of Missouri, USA & Ph.D. in Accounting, Nova University, USA; served as the dean of Department of Accounting & Business School, Soochow University, and currently serves as a professor and Officer of Academic Affairs at Soochow University, an independent director of JESS-LINKPRODUCTS CO., LTD. TAIWAN SEMICONDUCTOR CO., LTD. and TAIYEN Biotech Co., Ltd.	cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (8) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws). (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution than audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws, and regulations related to mergers and acquisitions. (10) Not Having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. (11) Not a government agency, juristic person, or its representative set forth in Article 27 of the company Act of the R. O. C.	2
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(1) The Company has established a diversification policy for the composition of its Board of Directors in the Corporate Governance Best Practice Principles:

The board of directors of the Company shall be responsible to the shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholder meetings.

The structure of the Company's board of directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- ① Basic requirements and values: gender, age, nationality, and culture, etc.
- ② Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform

their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- ① Ability to make operational judgments.
- ② Ability to perform accounting and financial analysis.
- ③ Ability to conduct management administration.
- ④ Ability to conduct crisis management.
- ⑤ Knowledge of the industry.
- ⑥ An international market perspective.
- ⑦ Ability to lead.
- ⑧ Ability to make policy decisions.

(2) To implement policy of the board of directors on diversity:

Name	Gender	Core Competencies								
		Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions	Professional knowledge and skills
I-Jen Lai	Male	✓		✓	✓	✓	✓	✓	✓	Industry knowledge/business management/marketing
Shu-Ping Wu	Female	✓	✓	✓	✓	✓	✓	✓	✓	Industry knowledge/business & financial management / accountings
Tai-Lang Lin	Male	✓		✓	✓	✓	✓	✓	✓	Industry knowledge/business management / marketing
Yu-Liang Lin	Male	✓		✓	✓		✓	✓	✓	Industry knowledge/business management
Hui-Ming Lu	Male	✓	✓	✓	✓	✓	✓	✓	✓	Financial management /accounting
Teng-Ko Chung	Male	✓		✓	✓		✓	✓	✓	Knowledge of law
Chyan-Long Jan	Male	✓	✓	✓	✓		✓	✓	✓	Financial management & accounting

The current term composition of the Company's board of director members has diversified backgrounds with complementarity, and the ratio of directors who are current employees of the Company is 29%. Female director of the Company accounted for 14% of all board members. Age of directors: 2 are between the age of 71~80; 3 are between the age of 61~71, and the other 2 are between the age of 51~60. The diversification of the composition of the Company's Board of Directors includes industry knowledge, business management, marketing management, financial management, legal knowledge, and so on. The specific management objectives of the Company's policy is to include diversified academic and professional work experiences, such as the term of the Company's independent director in succession is no more than 3 terms in office, the directors who also double as the Company's management are inadvisable over one third of the total numbers of all board members, and at least one female director includes in the composition of the Company's Board of Directors.

(3) Independence of the Board of Directors:

The Company's Board of Directors emphasizes independent operations, and all directors and independent directors functions independently in performing their rights and obligations. The seats of independent directors in total are 3, which take 43% of all board members, and all the independent directors have not served consecutively at the Company more than 3 terms. The qualifications of the independent directors meet the requirements of independent standards on publicly traded companies regulated by the Securities and futures Bureaus, Financial Supervisory Commission. None of the directors' spouse or blood relatives within the second-degree is in office of the Company's Board of Directors. The directors of non-managerial level at the Company in total are 5 people, taking 71% of all board members, which meets the requirement that the employees at the managerial level shall not be over one third of all directors.

(2) Information Regarding General Manager, Assistant General Manager(s), Deputy Assistant Managers(s), and The Management of Each Department and Branch Institution.

04.16.2022

Title	Nationality	Name	Gender	Date Elected	Shareholding When Elected		Spouse & Minor Shareholding		Use The Name of Others Shareholding		Selected Education & Past Positions	Selected Current Positions at AOCI and Other Companies	A Spouse or Relative within Two Degrees of Consanguinity Serving as A Manager, Director, or Supervisor			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	REL.P.	
General Manager	R.O.C.	Tai-Lang Lin	Male	90.02.21	388,978	0.14%	0	0.00%	0	0.00%	Please refer to Information Regarding Board Members and Supervisors.	Please refer to Information Regarding Board Members and Supervisors.	None	None	None	
Deputy General Manager of General Management Department	R.O.C.	Wu-Chin Lai	Male	87.12.31	158,727	0.06%	42,242	0.02%	0	0.00%	Associate Degree, Mechanical Engineering of Nanya Institute of Technology Deputy General manager of General Management Department of Asia Optical Co., Inc.	None	None	None	None	
Assistant General Manager of Overseas Department	R.O.C.	Hui-Jung Lin	Female	87.12.31	30,164	0.01%	0	0.00%	0	0.00%	Taichung Municipal Feng Yuan Commercial High School Assistant General Manager of Overseas Department	None	None	None	None	
Corporate Governance Officer & CFO	R.O.C.	Shih-Chung Chang	Male	101.04.01	2,020	0.00%	0	0.00%	0	0.00%	Bachelor, Department of Accounting, Chinese Culture University Accounting Manager of Overseas Department	None	None	None	None	
Accounting Manger of Finance Department	R.O.C.	Wen-Ke Weng	Male	101.04.01	0	0.00%	0	0.00%	0	0.00%	Master, Department of Accounting and Information Technology, National Chung Cheng University Accounting Dept., Deloitte & Touche Accounting Manager (Assistant Director), Asia Optical Business Group	None	None	None	None	

Note. Where the chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a relative within first-degree of consanguinity, the reason, rationality, necessity, and countermeasures (such as increasing the number of independent director seats and more than half of all director not concurrently serving as employees or the president) must be disclosed: None.

3. Remuneration Paid to Directors, Independent Directors, Supervisor, General Manager, Assistant General Manager(s) in Recent Years

(1) Remuneration Paid to Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Director's Remuneration								Ratio of total remuneration (A+B+C+D) and to net income after tax		Pay received as an employee						Ratio of total compensation (A+B+C+D+E+F) and to net income after tax		Compensation from investments other than subsidiaries			
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors(C) (Note 1)		Business Expense(D)				Salary, bonus, and special allowance (E)		Severance pay and Pensions(F)		Employee Compensation(G) (Note 1)							
		The Company	All consolidated Entities	The Company	All consolidated Entities	The Company	All consolidated Entities	The Company	All consolidated Entities	The Company	All consolidated Entities	The Company	All consolidated Entities	Cash	Stock	Cash	Stock	The Company	All consolidated Entities				
Chairperson	Tsui-Mei Industrial Co., Ltd. I-Jen Lai																						
Director	Shi-Ping Wu	0	685	0	0	24,500	30,469	140	200	2.67%	3.39%	6,895	8,618	148	203	2,570	0	2,570	0	3.71%	4.62%	None	
Director	Tai-Lang Lin																						
Director	Yu-Liang Lin																						
Independent Director	Hui-Ming Lu																						
Independent Director	Teng-Ko Chung	2,010	2,010	0	0	0	0	95	95	0.23%	0.23%	0	0	0	0	0	0	0	0	0.23%	0.23%	None	
Independent Director	Chyan-Long Jan																						

*Besides disclosing above-mentioned, the Company directors received remunerations from providing services to all companies in the financial report (such as being a non-employee advisor and so on): None.

Note 1: The remuneration paid to directors for the representative of Tshi-Mei Industrial Co., Ltd., I-Jen Lai, was received by its corporate shareholder depending on the contributions in office.

Note 2: The above-listed 2023 distribution to 2022 remuneration amounts are temporary assessments.

(2) Remuneration Paid to Supervisors: The Company has teamed up for Audit Committee to replace the Supervisors, so do not apply to this item.

(3) Remuneration Scale Table

1. Range of remuneration paid to each Director:

Range of remuneration paid to each Director	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From AOCI (Note 8)	From All Consolidated Entities H	From AOCI (Note 8)	From All Consolidated Entities I
Below NT\$1,000,000	Hui-Ming Lu/ Teng-Ko Chong/Chyan-Long Jan	Hui-Ming Lu/ Teng-Ko Chong/Chyan-Long Jan	Hui-Ming Lu/ Teng-Ko Chong/Chyan-Long Jan	Hui-Ming Lu/ Teng-Ko Chong/Chyan-Long Jan
NT\$1,000,000(inclusive)to NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Yu-Liang Lin	Yu-Liang Lin	Yu-Liang Lin	Yu-Liang Lin
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	I-Jen Lai / Tai-Liang Lin / Shu-Ping Wu / Tsih Mei Industrial Co., Ltd.	I-Jen Lai / Tai-Liang Lin / Tsih Mei Industrial Co., Ltd.	I-Jen Lai / Tai-Liang Lin / Shu-Ping Wu / Tsih Mei Industrial Co., Ltd.	I-Jen Lai / Tai-Liang Lin / Tsih Mei Industrial Co., Ltd.
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)		Shu-Ping Wu		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)				Shu-Ping Wu
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	8	8	8	8

2. Range of Remuneration Paid to Supervisors: The Company has teamed up for Audit Committee to replace the Supervisors, so it does not apply to this item.

4. Range of Remuneration Paid to General Manager, Assistant General Manger(s):

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance pay and Pensions(B)		Bonuses and Special allowances, etc.(C)		Employee Compensation (D) (Note 1)				Ratio of total remuneration (A+B+C+D) and to net income after tax (%)		Non-consolidated Affiliates or Parent Compensation Paid to Directors from
		From AOCI	From All Consolidated Entities	From AOCI	From All Consolidated Entities	From AOCI	From All Consolidated Entities	From AOCI		From All Consolidated Entities		From AOCI	From All Consolidated Entities	
								Cash	(Fair Market Value)	Stock	Cash			
General Manager	Tai-Lang Lin	7,369	7,369	108	108	0	0	2,399	0	2,399	0	1.07%	1.07%	None
Deputy General Manager	Wu-Chin Lai													
Deputy General Manager	Shih-Chung Chang													

Note 1: The above-listed 2023 distribution to 2022 remuneration amounts are temporary assessments.

1. Compensation Scale Table

Unit: NT\$ thousands

Compensation Paid to General Manager and Assistant General Manager	Names of General Manager and Assistant General Manager	
	From AOCI	Parent Company and All Companies listed in the Financial Reports E
NT\$0 ~ NT\$999,999		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999	Wu-Chin Lai / Shih-Chung Chang	Wu-Chin Lai / Shih-Chung Chang
NT\$3,500,000 ~ NT\$4,999,999	Tai-Lang Lin	Tai-Lang Lin

NT\$5,000,000 ~ NT\$9,999,999		
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
Over NT\$100,000,000		
Total	3	3

2. Employees' Profit Sharing Bonus Paid to Management Team:

Unit: NT\$ thousands

	Title	Name	Stock (Fair Market Value)	Cash (Note 1)	Total Employees' Profit Sharing Bonus	Percentage of Total Bonuses to Net Profit After Tax (%)
Manager	Chairman	I-Jen Lai	0	4,047	4,047	0.44%
	General Manager	Tai-Lang Lin				
	Deputy General Manager	Wu-Chin Lai				
	CFO	Shih-Chung Chang				
	Assistant General Manager	Hui-Jung Lin				
	Accounting Manager of Finance Dept.	Wen-Ke Weng				

Note 1: The above amounts of 2022 remuneration which will be distributed to 2023 are provisional numbers.

5. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. The ratio of total remuneration paid by the Company and by all companies' analysis for the most recent two fiscal years to directors, general manager, general manager, assistant general manager(s), to the net income.

	Parent Company Only				All companies in the Consolidated financial statements			
	2021		2022(Proposed figure)		2021		2022(Proposed figure)	
	Total Amount	Ratio of Total Remuneration to Net Income (%)	Total Amount	Ratio of Total Remuneration to Net Income (%) (Note 2)	Total Amount	Ratio of Total Remuneration to Net Income (%)	Total Amount	Ratio of Total Remuneration to Net Income (%) (Note 4)
Director(s)	39,310	2.62	26,745	2.89	44,875	2.40	33,459	2.49
General Manager(s) & Deputy General Manager(s)	10,907	0.73	9,876	1.07	10,907	0.58	9,876	0.73
Net Profit after Tax	1,500,788	100.00	924,425	100.00	1,873,629	100.00	1,345,627	100.00

Note 1: Remuneration for directors, general manager, and deputy general manager are all paid according to Company's Articles of Incorporation and manager's stand salary payment.

Note 2: Regarding to the slight increase ratio of Remuneration for directors is due to the net profit increased comparing to the previous fiscal year; however, the amount was decreased comparing to the same period. The main reason was because the overall profit was decreased comparing to the same period of the previous year.

Note 3: The Company has established the Audit Committee in 2016 after the approval of shareholders' meeting.

Note 4: The total amount of remuneration paid to directors was influenced by the overall profits decreased comparing to the same period of the previous year, and it is relatively reduced as well.

2. Compensation to Directors and Profit Sharing Bonus to Employees Based on the Company Act and the Company's Articles of Incorporation. If, after setting aside the Company's accumulated losses of the previous years, there is any positive annual profits before tax (without giving effect of the deduction of the employee bonus and director bonus), the Company shall appropriate from 5% to 20% of the annual profits before tax as the employee bonus and not more than 3.5% of such annual profits before tax as the directors' bonus. The distribution ratio of the employee bonus and the director's bonus and whether the employee bonus shall be allocated in the form of the shares or cash shall be resolved by the Board of Directors by the resolution adopted a majority of the directors at a meeting attended by two-thirds or more of the directors and shall be reported to the shareholders' meeting. The Company may distribute the employee bonus in the form of the shares or cash to the qualified employees of the company(ies) which controls or is controlled by the Company.

3. Except for the independent directors receive a fix amount of remuneration, the remuneration paid to directors through the results of the Company's operations, performance and level of participation. The compensation paid to general manager, assistant general manager(s), and managers are determined by the position, the responsibilities and further risks they assumed, and the degree of contribution to operating objectives, such as the implementation and accomplishment of yearly Key Performance Indicator (KPI) goal performance-based reward plan, and will be paid according to the Company's remuneration management regulations.

Compensation program has been reviewed by Remuneration Committee meeting and board meeting. In addition, this program will be examined timely according to actual operation condition and relevant laws and regulations.

4. Implementation of Corporate Governance

(A) Status of Board Operations

AOCI's Chairman of Board of Directors convened 7 times (A) regular meeting.

The attendance of directors is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate in Person (%) 【 B/A 】	Notes
Chairman	I-Jen Lai	7	0	100%	Times of Expected Attendance: 7
Director	Shu-Ping Wu	7	0	100%	Times of Expected Attendance: 7
Director	Tai-Lang Lin	7	0	100%	Times of Expected Attendance: 7
Director	Yu-Liang Lin	7	0	100%	Times of Expected Attendance: 7
Independent Director	Hui-Ming Lu	7	0	100%	Times of Expected Attendance: 7
Independent Director	Teng-Ko Chong	5	0	71%	Times of Expected Attendance: 7
Independent Director	Chyan-Long Jan	7	0	100%	Times of Expected Attendance: 7

Annotations:

1. Securities and Exchange Act 14-3 resolutions and other written or otherwise resolutions on which an independent director had a dissenting opinion or qualified opinion:

(1) Securities and Exchange Act § 14-3 resolutions:

Date of BOD Meeting (session)	Resolution	Securities and Exchange Act 14-3 Resolutions	An Independent Director Had A Dissenting Opinion or Qualified Opinion
The 15 th meeting of the 14 th session of the BOD (01.03.2022)	The Company's indirect investment increased the amounts of investment in mainland China area	V	None
	Any Independent Director Had a Dissenting Opinion or Qualified Opinion: None. The Company's actions in response to Independent Directors' opinions: All present independent directors approved the proposal, so it was not applied. Resolution: Passed by all present directors.		
The 16 th meeting of the 14 th session of the BOD (03.25.2022)	As of the meeting day, financial derivatives were not used at the Company	V	None
	Resolution to the BOD nominations and the candidates of Evaluation Committee Director (including independent directors)	V	None

	Resolution to the amendments of the Company's Articles of Incorporation	V	None
	Resolution to the amendments to the Procedures for Acquisition or Disposal of Assets	V	None
	Resolution to the evaluation results on the independence of CPA	V	None
	Resolution to the 2021 Internal Control System Statement	V	None
	Any Independent Director Had a Dissenting Opinion or Qualified Opinion: None. The Company's actions in response to Independent Directors' opinions: All present independent directors approved the proposal, so it was not applied. Resolution: Passed by all present directors.		
The 17 th meeting of the 14 th session of the BOD (05.06.2022)	As of the meeting day, financial derivatives were not used at the Company.	V	None
	Resolution to Greenhouse Gas Inventory (GHG inventory) management plan and schedule	V	None
	Any Independent Director Had a Dissenting Opinion or Qualified Opinion: None. The Company's actions in response to Independent Directors' opinions: All present independent directors approved the proposal, so it was not applied. Resolution: Passed by all present directors.		
The 2 nd meeting of the 15 th session of the BOD (08.03.2022)	As of the meeting day, financial derivatives were not used at the Company.	V	None
	Resolution to approve the Company's ESG Report	V	None
	Resolution to the appointment list of Remuneration Committee members	V	None
	Any Independent Director Had a Dissenting Opinion or Qualified Opinion: None. The Company's actions in response to Independent Directors' opinions: All present independent directors approved the proposal, so it was not applied. Resolution: Passed by all present directors.		
The 3 rd meeting of the 15 th session of the BOD (09.29.2022)	Resolution to do a share buyback of the Company's common shares (Treasury Stock)	V	None
	Any Independent Director Had a Dissenting Opinion or Qualified Opinion: None. The Company's actions in response to Independent Directors' opinions: All present independent directors approved the proposal, so it was not applied. Resolution: Passed by all present directors.		
The 4 th meeting of the 15 th session of the BOD (11.02.2022)	As of the meeting day, financial derivatives were not used at the Company.	V	None
	Resolution to the amendments of the Procedures for the Prevention of Insider Trading and Operating Procedures for Handling Internal Material Information	V	None
	Resolution to 2022 Internal Audit Plan	V	None

	Any Independent Director Had a Dissenting Opinion or Qualified Opinion: None. The Company's actions in response to Independent Directors' opinions: All present independent directors approved the proposal, so it was not applied. Resolution: Passed by all present directors.
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(2) Apart from the aforementioned matters, any Board resolution to which an independent director had a dissenting or qualified opinion on the record or submitted in writing: None.

2. For the director's avoidance of proposal with a conflict of interest, the name of the director, proposal content, reason for conflict of interest, and participation in voting shall be specified: Excluding the participation in the operation for self-reviewing of the separate director from the resolution to the 15th director candidate nomination proposal in the 16th meeting of the 14th session of the BOD regarding to their own personal conflict of interest, other present directors approved the resolution by Chairman's consultation after examining and reviewing the academic background and professional/work experience of the director candidate nominated

3. A listed Company shall disclose the assessment period, duration, scope, method, and content of the self-assessment of the Board of Directors as the attached table 2 below.

4. The goal (such as the appointment of Audit Committee, increasing the degree of company information transparency, etc.) and implementation of the current year and the recent years to enhance the function and competency of BOD:

(1) Enhance the corporate governance: On June 8, 2016, the Company established the Audit Committee to replace the Supervisors.

(2) Enhance the corporate governance: The company directors need to attend and engage in the aperiodic advanced corporate governance courses.

(3) Increase the degree of company information transparency: The company website will disclose and update the financial statements and the recent major resolutions of board of director meetings on a regular basis.

Attached Table 2

Implementation of Internal Self-evaluation by Board of Directors

Assessment period	Assessment duration	Assessment Scope	Assessment Method	Assessment Content
Once a year	01/01/2022~12/31/2022	Includes the entire Board of Directors, individual board members, Audit Committee, and Remuneration Committee	Board of Directors internal self-assessment, members of BOD self-assessment, and peer assessment	(A) BOD Internal Self-Assessment: 1. Degree of Participation in the Company operations 2. Enhance the quality of the BOD resolutions 3. The composition and structure of the BOD 4. Directors election and continuous attending advanced

				corporate governance courses 5. Internal control system (B) Individual Board Member Self-Assessment and peer-evaluation: 1. Sufficient knowledge of the Company goals and tasks 2. Recognition of BOD responsibilities and duties 3. Degree of Participation in the Company operations 4. Internal relationship management and communication 5. Professional and Continuous advanced education for directors 6. Internal control system (C) Functional Committee Assessment: 1. Degree of participation in the Company operations 2. Recognition of functional committees' responsibilities and duties 3. Enhance the quality of the functional committees' resolutions 4. The composition and election of functional committee members 5. Internal control system
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Report of implementations of self-assessment: After reviewing all 7 surveys from members of board directors' self-assessment and peer assessment, the result was relatively good. The Company Board of Directors and functional committees (such as Audit Committee and Remuneration Committee, etc.) are all in well-functioning condition. The aforementioned assessment result was reviewed and approved by the board of directors on March 7th, 2023.

(B) Audit Committee

A total of 4 (A) meetings of the Audit Committee were held in 2022. Attendance status of Independent Directors is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate(%)(B/A)	Remarks
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			(Note)	
Independent Director	Hui-Ming Lu	4	100%	Expected Attendance: 4
Independent Director	Teng-Ko Chung	3	75%	Expected Attendance: 4
Independent Director	Chyan-Long Jan	4	100%	Expected Attendance: 4

Annotations:

1. Items listed in Article 14-5 of the Securities and Exchange Act, and other resolutions approved by 2/3 the attendees of the board meeting without approving by the Audit Committee:

Explanations : (1) Items listed in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee Meeting	Contents proposed	Matters stipulated in the Article14-5 of the Securities and Exchange Act	Resolutions approved by 2/3 the attendees of the board meeting without approving by the Audit Committee
The 12 th meeting of the 2 nd session of the Audit Committee Meeting 03.25.2022	Approved the proposal of 2021 Business Report and Financial Statements	V	None
	Approved the proposal of 2021 profit distribution	V	None
	Resolution to the amendments to the Articles of Incorporation	V	None
	Resolution to the amendments to the Procedures for Acquisition or Disposal of Assets	V	None
	Resolution to the evaluation results on the independence of CPA	V	None
	Resolution to the 2021 Internal Control System Statement	V	None
Audit Committee Resolution Result (03.25.2022): Passed by all present Audit Committee members. The reaction of Company to Audit Committee: Not applied. All proposals were approved and passed by all present Audit Committee members.			
The 13 th meeting of the 2 nd session of the Audit Committee Meeting 05.06.2022	Approved 2022 Q1 Consolidated Financial Report	V	None
	Resolution to Greenhouse Gas Inventory (GHG inventory) management plan and schedule	V	None
	Audit Committee Resolution Result (05.06.2022): Passed by all present Audit Committee members The reaction of Company to Audit Committee: Not applied. All proposals were approved and passed by all present Audit Committee members.		
The 1 st meeting of the 3 rd session of the Audit Committee Meeting 08.03.2022	Approved 2022 Q2 Consolidated Financial Report	V	None
	Resolution to approve the Company ESG Report	V	None
	Audit Committee Resolution Result (08.03.2022): Passed by all present Audit Committee members The reaction of Company to Audit Committee: Not applied. All proposals were approved and passed by all present Audit Committee members.		
The 2 nd meeting of the 3 rd session of the Audit Committee Meeting 11.02.2022	Approved 2022 Q3 Consolidated Financial Report	V	None
	Resolution to the amendments of the Procedures for the Prevention of Insider Trading and Operating Procedures for Handling Internal Material Information	V	None
	Resolution to the 2023 Internal Audit Plan	V	None
	Audit Committee Resolution Result (11.02.2022): Passed by all present Audit Committee members. The reaction of Company to Audit Committee: Not applied. All proposals were approved and passed by all present Audit Committee members.		

(2) Apart from the aforementioned item, other cases of resolution not passed by the Audit Committee but agreed 2/3 of the entire of board of directors: None.

2. Regarding execution by independent directors preventing cases of conflict of interest: None.
3. Communication of independent board directors with the Chief audit officer and CPA: At least once per quarter. If there's any other urgent material matters, a meeting can be convened immediately.

Date of Meeting (Term)	Items of Communication with CPA	Items of Communication with Chief audit officer
The 12 th meeting of the 2 nd session 03.25.2022	<ul style="list-style-type: none"> ● Discussions on 2021 Financial Statements and audit situation, including any key audit matters and reply from the management ● Evaluate the performance and independence of CPA ● Reports about modification of the rules and regulations 	<ul style="list-style-type: none"> ● Review the Internal Audit Report ● Review the 2021 Internal Control System Self-assessment Report ● Review the 2021 Internal Control System Disclosure Statement
The 13 th meeting of the 2 nd session 05.06.2022	<ul style="list-style-type: none"> ● Discussions on 2022 Q1 Financial Statements and audit situation, including any key audit matters and reply from the management ● Internal auditor rotation from the CPA firm ● Reports about modification of the rules and regulations 	<ul style="list-style-type: none"> ● Review the Internal Audit Report
The 1 st meeting of the 3 rd session 08.03.2022	<ul style="list-style-type: none"> ● Discussions on 2022 Q2 Financial Statements and audit situation, including any key audit matters and reply from the management ● Reports about modification of the rules and regulations 	<ul style="list-style-type: none"> ● Review the Internal Audit Report
The 2 nd meeting of the 3 rd session 11.02.2022	<ul style="list-style-type: none"> ● Discussions on 2022 Q3 Financial Statements and audit situation, including any key audit matters and reply from the management ● Reports about modification of the rules and regulations 	<ul style="list-style-type: none"> ● Review the Internal Audit Report ● Review the plans for 2023 Internal Audit

4. The annual key tasks for operation of the Audit Committee:
- (1) Adoption or amendment of the internal control system.
 - (2) Assessment of the effectiveness of the internal control system.
 - (3) Adoption or amendment of handling procedures for financial or operation actions of materials significance, such a disposal of assets, derivatives trading, extension of monetary loans or endorsements or guarantees for others.
 - (4) A matter bearing on the personal interest of a director.
 - (5) A material asset or derivatives transaction.
 - (6) A material monetary loan, endorsement, or provision of guarantee.
 - (7) The offering, issuance, or private placement of any equity-type securities.
 - (8) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
 - (9) The appointment or discharge of a financial, accounting, or internal auditing officer.
 - (10) Annual financial statements and interim reports auditing.
 - (11) Any other material matter so required by the Company or the Competent Authority.
5. The evaluation cycle, evaluation periods, scope and method of evaluation, and evaluation contents regarding to the Audit Committee performance evaluation are as follows:

Evaluation Cycle	Evaluation Periods	Evaluation Scope	Evaluation Method	Evaluation Content & Result
Once a year	2022/01/01~2022/12/31	Audit Committee	The board internal self-assessment	(Note 1)

Note 1. The criteria for evaluating the performance of Audit Committee should cover: 1) Participation in the operation of the Company 2) Awareness of the duties of the functional committee 3) Improvement of quality of decisions made by the functional committee 4) Makeup of the function committee and election of its members, and 5) Internal control. The 2022 Audit Committee evaluation results on the whole were quite exceptional, and the results were reviewed and approved by the Company's BOD on March 7th, 2023.

Note 2. Participation of Supervisor in board meeting: Note applied. The Company has established the Audit Committee to replace the Supervisors.

C. Corporate governance implementation status and deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
1. Does the Company establish and disclose Corporate Governance principles in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	V		The Company has approved and established “Corporate Governance Best Practice Principles” in 2017.	No difference
2. Shareholding Structure & Shareholders’ Rights				No difference
(1) Does the Company establish internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	V		(1) The Company has a spokesperson, procedures for handling stock affairs, a dedicated mail box for receiving suggestions, doubts, disputes, and lawsuits managed by the stock affairs department and invest relation department based on procedures. Meanwhile, the stock affairs agency has been commissioned as a window for shareholder services.	
(2) Does the Company maintain of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		(2) The current major shareholders are mainly Company’s management team. The Company stock affairs unit may efficiently control the list of major shareholders and final controllers of major shareholders.	
(3) Has the Company built and executed a risk management mechanism and “firewall” between the Company and its affiliates are in place?	V		(3) The Company has established regulations governing internal	

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
(4) Has the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		control and subsidiaries to establish and implement the risk control of affiliates and a fire wall mechanism. Except establishing regulations governing internal control and subsidiaries, the audit officer monitors the implementation on a regular basis. (4) The Company board has formulated the “Insider Trading Prevention Management Operation Procedure” to prohibit company insiders from utilizing information undisclosed to the market to transact negotiable securities.	
3. Structure of Board of Directors and its Responsibilities (1) Does the Board of Directors set and implement a diversification policy?	V		(1) The Company has established the “Strengthen the powers of the board of directors-Structure of Board of Directors” chapter in the Corporate Governance best Practice Principles, including basic conditions and value (gender, age, nationality, and culture) and professional knowledge and skills. Currently, the members of the Board, including the independent directors, are specialized in	No difference

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
(2) If the Company established any other functional committees in addition to Remuneration Committee, and Audit Committee as required by law?	V		industry, legal professionals, finance, accounting, business management, and marketing to provide professional advices and suggestions to the managements with their extensive experiences. Please refer to Information Disclosure Concerning Directors and Independent Directors' Professional Qualification and Compliance of Independence in this annual report.	
(3) Whether the Company has established a performance assessment method and the assessment method for the Board of Directors, conducted the performance assessment annually and regularly, and reported the results of the performance assessment to the Board of	V		(2) The Company has set up the Remuneration Committee and Audit Committee, and other functional committees are continuously in the evaluating process. (3) Besides formulating the business unit policies by operation goals, the Company also has regulations for evaluating the performance of	

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
<p>Directors, as well as applied it as reference for individual directors' remuneration and nomination for renewal?</p> <p>(4) If the Company assess the independence of CPA periodically?</p>	V		<p>the Board to carry out corporate governance and promote the functions of the Board every year. The internal performance evaluation criteria for the board of directors include: ① Degree of participation in the operations of the Company; ② Enhance the quality of the BOD resolutions; ③ The composition and structure of the BOD;④ Directors election and continuous attending advanced corporate governance courses; ⑤ Internal control system and peer-review evaluation of BOD performance. Please refer to Attached Table 2-Implementation of Internal Self-evaluation by Board of Directors.</p> <p>(4) Every year, the Company will review the CPA's independence according to 10 evaluating items. The total scores around 80 to 100</p>	

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
			are classified as good. After consent is obtained from the Audit Committee, it shall be submitted to the board for resolution and decided to appoint a CPA and regularly examines the CPA's independence and evaluates whether there is circumstance of violating No. 10 of the Code of Ethics bulletin or the occurrence of circumstances stipulated in Article 47 of the Accounting Act. Please refer to page 70 for the Evaluation of CPA's independence in this annual report.	
4. Whether is the listed and OTC company is equipped with appropriate and an appropriate number of corporate governance personnel and appoints a corporate governance supervisor to be responsible for matters related to corporate governance (including but not limited to providing the data required by the directors and	√		The Company set up Corporate Governance Committee to handle matters related to corporate governance. The Company's Board of Directors has resolved to pass the appointment of Corporate Governance officer by May 6 th , 2021. The Company's Board of Directors appointed Mr. Shih-Chun Chang, the Vice President of General Finance Department as the Corporate Governance Officer, responsible for related	No difference

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)									
	Y	N	Summary										
supervisors to perform business and assisting the directors and supervisors to comply with the laws and regulations), handling of matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to the relevant laws and regulations, handling of company registration and changes in registration status and preparation of the meeting minutes of the Board of Directors Meeting and the Shareholders' meeting etc.)?			<p>corporate governance matters, facilitating the schedule of the Company's ESG Report, and assisting the communication among the independent directors, CPAs, and the internal audit director. Continuing Education Training of Corporate Governance Officer in 2022:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Name of the Courses</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>03.08.2022</td> <td>To utilize ESG to improve Corporate Strategic Capabilities</td> <td>3 Hours</td> </tr> <tr> <td>03.09.2022</td> <td>Relevant regulations of preparing Corporate Financial Statements and Common Errors</td> <td>3 Hours</td> </tr> </tbody> </table>	Date	Name of the Courses	Hours	03.08.2022	To utilize ESG to improve Corporate Strategic Capabilities	3 Hours	03.09.2022	Relevant regulations of preparing Corporate Financial Statements and Common Errors	3 Hours	
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Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
5. If the Company established communication channel with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website?	V		The Company has established a sound system and communication channels dedicated to handling relevant matters for correspondent banks, employees, customers, suppliers, and other creditors, which also respects to their legal rights.	No difference
6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?	V		The Company has appointed the stock affairs agency department of "SinoPac Securities" to be responsible for serving shareholders and handling affairs of the Shareholders' Meetings.	No difference
7. Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	V		(1) Through the company official website (http://www.asia-optical.com), the Company updates and discloses financial business and corporate governance information regularly and for relevant matters for the public and shareholders' reference.	No difference

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
<p>(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-Language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?</p> <p>(3) Whether the company publishes and reports the annual financial statement within two months after the end of the fiscal year and announces and reports the first, second and third quarter financial statements and the operation situation of each month in advance within the prescribed period?</p>	V	V	<p>(2) The Company has set up Chinese and English website and assigned dedicated personnel to be responsible for the collection and disclosure of company information; it has also set up a spokesman and agency spokesman system. When convening an Investor Conference, the Company will also place the process materials on the company website for investors to look up and input them at Market Observation Post System (http:// mops.twse.com.tw) as required in both Chinese and English versions.</p> <p>(3) The Company has announced and reported the quarterly financial statements and the operation situation of each month in advance within the prescribed period but has not published and reported the annual financial statement within two months after the end of the fiscal year in advance.</p>	
8. If the Company had other important information to	V		(1) Employee rights and interests: Pursuant to government laws and	No difference

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>decrees and personnel management measures of the Company, besides setting up the Employees Welfare Committee, the Company provides all kinds of basic due labor conditions, including a working hour mechanism and through ask for leave system, as well as provides a stable and safe work environment, and in addition to basic welfares, such as labor insurance, health insurance, pension allocation, etc., employees can also enjoy regular health examinations, group insurance, and through employee retirement measures.</p> <p>(2) The Company actively implements the policy to "Cherish the energy on earth and Protect our environment", and also deliver the idea of this environmental policy to each employee into practice. Meanwhile, the Company has built a sound management system to set up the company internal goals and objectives for fulfillment and</p>	

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
			<p>archiving the goals, along with obtaining the ISO14001 certification.</p> <p>(3) On the basis of appreciation to the community and facilitating the community developments, the Company has held charity events to donate the total income to the charity organizations and sponsor the community activities irregularly.</p> <p>(4) The Company fully understands that close cooperation with our suppliers will help to forward the developments in the industry. Therefore, the Company upholds the responsibilities to be beneficial to all our suppliers and business partners in order to enhance self-competition as well as to make the largest profits to shareholders.</p> <p>(5) Director's Continuing Education/Training of management:</p>	

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	Y	N	Summary													
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Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)			
	Y	N	Summary				
			<table border="1" data-bbox="1010 679 1774 743"> <tr> <td></td> <td></td> <td>Brief Introduction & Analysis of Insider Trading Cases (3 Hours)</td> </tr> </table> <p>(6) Directors' Attendance Rate in Board of Directors meetings in 2022: the attendance rate of the Company board members was above 90%, and the board has submitted the internal auditing information and financial statements to the Audit Committee for reviewing on a regular basis.</p> <p>(7) The Company board of directors is highly disciplined. Any proposals in the board meeting related to interest violating to the Company's interests will not be put to the vote. Please refer to the Director's Avoidance of Proposal with a Conflict of interest.</p> <p>(8) The Company has bought relevant functions of Directors' and Officers' liability insurance. (Insurance amount of US\$ 12,000,000)</p>			Brief Introduction & Analysis of Insider Trading Cases (3 Hours)	
		Brief Introduction & Analysis of Insider Trading Cases (3 Hours)					

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
			<p>(9) Except devoting to its own business developments, the Company has been making efforts to Corporate Social Responsibility and actively participating in social services, voluntary, and charity work, such as consumers' rights, social and community welfare activities, including : ① Offering job opportunities for students: the Company has signed industry-academia collaboration contract with National Taichung University of Science and Technology. ② Corporate Social Service: the Company cooperated with National Formosa University to hold optics industry seminars. ③ Industry-Academia Collaborations: the Company has signed the core-technological competence collaboration contract with National Chin-Yi University of Technology. ④ Donations to charities: the Company has continuously made donations and scholarships to disadvantaged groups, such as National Formosa University, Taichung City Volunteer Firefighter Team-1st squad.</p>	

Item	Implementation Status (Note)			Difference between the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and its reason(s)
	Y	N	Summary	
<p>9. Please describe the improvements and other first priority measures regarding to Corporate Governance Evaluation results announced by Taiwan Stock Exchange Corporate Governance: (No need to be filled in by companies that were not subject to evaluation)</p> <p>Improvements status of 2022 Corporate Governance Evaluation results:</p> <p>(1) The Company official website: (1) The Company official website has added and uploaded the disclosure of the communication contents among independent directors, CPAs, and the Company internal audit officers, and enhanced the shareholders' meeting information disclosure, such as handbook and meeting agenda for annual meeting of shareholders.</p> <p>(2) Improvements to be made: It will be optimized and enhanced for the information disclosure of the Company independent directors' relevant academic background and experiences, diversity policy and management goals.</p>				

D. If the Company has a Remuneration Committee or Nomination Committee in Place, the Composition and Operation of such shall be disclosed:

The Company has established remuneration committee on December 16th, 2011 and also announced the establishment.

- (1) The main responsibility of the remuneration committee is to set the standards, regulations, policies, and the whole structure to review directors, supervisors (Audit Committee members), and management officers for their performance and compensation evaluation on a regular basis.
- (2) To review directors, supervisors (Audit Committee members), and management officers for their performance and compensation evaluation on a regular basis.

1. Remuneration Committee

Title (Note 1)	Name	Met one of the following professional qualification requirements with at least five years work experience			Independence (Note 2)										Number of other public companies in which the individual is concurrently serving as an Remuneration Committee member	Note	
		An instructor of higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, or university	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and be awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Chyan-Long Jan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Hui-Ming Lu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Teng-Ko Chung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Title: Director, independent directors, and others.

Note 2: During the 2 years before being appointed or during the term of office, a remuneration committee member shall have been or be any of the following:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not the directors or supervisors of the Company or the affiliated enterprises (except for those who are independent directors of the Company or the parent company, subsidiaries, or subsidiaries of the same parent company established in accordance with the Act or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the

person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the Company or ranking in the top 10 in shareholding.

- (4) Not the spouse, second-level blood relative, or lineal blood relative within three degrees of the managers listed in (1) or the persons listed in (2) or (3).
- (5) Directors, supervisors, or employees indirectly holding more than 5% of the total shares issued by the Company, the top five shareholders, or appointing the representative as directors or supervisors in accordance with Item 1 or 2 of Article 27 in the Company Law (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (6) Not the directors, supervisors, or employees of other companies with the director's seat of the Company or with more than half of the voting shares controlled by the same person (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (7) Not the directors, supervisors, or employees of other companies or organizations as the same person as the Company's chairman, general manager, or equivalent position or the spouse (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (8) Not the directors, supervisors, managers, or shareholders with more than 5 % of specific companies or organizations with financial or business transactions with the Company (except for those who are independent directors of specific companies or organizations holding more than 20% of the total shares issued by the Company but not more than 50%, and of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (9) Not the professionals of business, legal, financial, accounting, or other related services, entrepreneurs of proprietorships, partnerships, corporations or organizations, partners, directors, supervisors, and managers or their spouses who provide the audit services for the Company or affiliated enterprises or whose cumulative remuneration in the last two years has not exceeded NT\$500,000. However, this restriction shall not apply to members of the remuneration committee, open takeover review committee, or special committee for mergers and acquisitions who perform their duties under the Securities and Exchange Act or the relevant statutes of the Mergers and Acquisitions Act.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

2. The state of the remuneration committee's implementation

(1) The remuneration committee comprised of 3 members in total.

(2) Tenure of the remuneration committee is from June 14th, 2022 to June 13th, 2025. A

total of 2 (A) meetings of the remuneration committee were held, and the status of attendance is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)		Remarks: Terms of reference of the Remuneration Committee
Chairman	Chyan-Long Jan	2	0	100%	Times of Expected Attendance :2 New office assumed, was elected at on August 3, 2022	The main responsibility of the remuneration committee is : (1) To set the standards, regulations, policies, and the whole structure to review directors, supervisors (Audit Committee members), and management officers for their performance and compensation evaluation on a regular basis. (2) To review directors, supervisors (Audit Committee members), and management officers for their performance and compensation evaluation on a regular basis.
Member	Hui-Ming Lu	2	0	100%	Times of Expected Attendance :2 Renewal of office, was elected at on August 3, 2022	
Member	Teng-Ko Chung	1	0	50%	Times of Expected Attendance :2 Renewal of office, was elected at on August 3, 2022	

Other information to be disclosed:

1. If Board of Directors did not adopt or revise the proposal made by the Remuneration Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Remuneration Committee (If amount of the compensation approved by the Board of Directors is higher than that proposed by the Remuneration Committee, please specify the reasons and differences in proposals.): None.

2. If any members of the Remuneration Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled: None.

Remuneration Committee	Contents Proposed	Against or Reserved Opinions	Disapproved by BOD or implementation
The 6 th meeting of the 4 th session 03.25.2022	Approved the resolution of 2021 remuneration distribution to employees and board directors	None	None
The 1 st meeting of the 5 th session 11.02.2022	Approved the resolution of 2022 salary adjustment	None	None
	Approved the annual bonus distribution principles	None	None

3. The Composition and Operation of Nomination Committee: Currently not established. Not applied.

E. Implementation of Sustainable Development and difference in the Sustainable Development Best Practice Principle for TWSE/TPE Listed Companies and reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPE Listed Companies” and Reasons
	Y	N	Summary	
1. Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?	V		The Company established the “ESG Steering Committee” and “ESG Committee” on November 12, 2021 after the approval of the Board of Directors, serving as the dedicated units for promoting sustainable development. Under the supervisory of the Company’s Board of Directors, the General Manager, Mr. Tai-Lang Lin, is the chairman and the Director, Ms. Shu-Ping Wu is as the advisory consultant of the Committee; also, in order to reach the goal of sustainable development, the ESG Committee is to implement plans for business governance, environmental sustainability, partnership relationship management, friendly working-environment, and social participation. The general manager of the Company serves as the chairman of the Committee and the implementation results shall be reported to the Board of Directors at least once a year.	None
2. Whether the Company has conducted risk assessments of environmental, social and corporate governance issues related to its operations in accordance with the materiality principles, and formulated relevant risk management policies or strategies? (Note 2)	V		By the end of the printing date of this Annual Report, the Company’s ESG Committee proceeded to conduct the risk assessments associated with ESG factors, such as occupation safety and health risk, intellectual property risk, financial risk, trade secrets, Covid-19, climate change risk, supplier chain management are all included, along with management strategies.	None
3. Environmental Issues (1) Has the Company established appropriate systems for environmental management based on the characteristics of its operations?	V		The Company has built up the ISO 14001 environment management system with the certificate of ISO 14001 issued by UL Company.	None

<p>(2) Has the Company dedicated itself to improving the efficiency of all resource usage and using recycled materials that have lower negative impact on the environment?</p>	<p>V</p>		<p>The Company established the ISO Affairs Bureau and Energy-Saving Management Affairs Bureau for promoting energy-saving projects in accordance with the promised environmental regulations. By doing resource recycling effectively, the relevant energy-saving project has promoted in process with the goal of 1% energy-saving by each year.</p>	<p>None</p>
<p>(3) Whether the Company have assessed the current and future potential risks and opportunities of climate change to the Company, and adopted measures to respond to climate-related issues?</p>	<p>V</p>		<p>In 2022, referring to the Task Force on Climate-related Financial Disclosures (TCFD) to assess the climate risks, the Company is currently in the stage of learning about the risks and opportunities that the Company is facing. They will be submitted to the ESG Committee for further discussion and the measures taken.</p>	<p>None</p>
<p>(4) Whether the Company counted the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and whether the Company formulated policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management?</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, in 2022, the Company ESG Committee is going to measure the greenhouse gas emission, consumption of water, and the total weight of waste; thus, the ESG Committee will formulate the management policies regarding to the reduction of greenhouse gas emission, consumption of water and other waste.</p>	<p>None</p>
<p>4. Social Issues (1) Has the Company established management policies and procedures based on relevant laws and the International Bill of Human Rights?</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, the Company ESG Committee is going to formulate the relevant management policies and procedures in accordance with the related labor laws and regulations as well as the International Bill of Human Rights.</p>	<p>None</p>

<p>(2) Whether the Company have formulated and implemented reasonable employee benefits measures (including salary, leave and other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of employees?</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, the Company ESG Committee is proceeding to establish reasonable employee welfare measures (including remuneration, leave, and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration.</p>	<p>None</p>
<p>(3) Has the Company provided employees with a safe and healthy working environment in addition to regularly providing education to the employees regarding safety and health?</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, through the certification of ISO 45001 Occupational Health and Safety Management System, the Company provides employees with a safe and healthy workplace environment, and hold safety and health seminars and classes.</p>	<p>None</p>
<p>(4) Has the Company established occupational competence training programs for the employees?</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, the Company ESG Committee holds regular and irregular employee trainings to actively enhance the employee's career development and to help the Company and employees grow up together.</p>	<p>None</p>
<p>(5) Whether the Company has complied with relevant laws and regulations and international standards for health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer protection policies and compliant procedures?</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, in order to improve the product service and the health and safety of customers, the Company ESG Committee has conducted and tested the products for quality assurance in order to meet the requirements of ROHS, also to sign up the NDA for protecting customers' privacy along with formulation of the customer compliant procedures to ensure the consumers and customers' rights.</p>	<p>None</p>
<p>(6) Whether the Company has formulated a supplier management policy which requires suppliers to comply with the relevant regulations on issue such as Environmental protection, occupational safety and health, or labor rights, and how their implementation is.</p>	<p>V</p>		<p>By the end of the printing date of this Annual Report, the Company ESG Committee has set up supplier management policies to request the suppliers to meet the requirements and related regulations of environment protection, occupational safety and health or labor human rights and other issues; for those not meeting up these requirements or there is any obvious incompetent situation will not be able to be qualified suppliers.</p>	<p>None</p>

5. Whether the Company referred to the reporting standards or guidelines which are accepted internationally for compiling reports which disclosed the non-financial information of the Company, such as the corporate social responsibility report. Whether the previous report obtained the assurance or verification statement of a verification unit from the third party.	V	By then end of the printing date of this Annual Report, the Company ESG Committee will publish and release the 2022 ESG Report by June, 2023 in accordance with the GRI Standard for information disclosure. Also, the Company ESG Committee is planning to proceed the 2023 ESG Assurance Report by the third party to enhance the quality and liability of this report.	No difference
6. If the Company established any guideline of corporate social responsibility in accordance with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM-Listed Companies” and please state the implementation status of the guideline and any reasons for non-implementation: No difference.			
7. Other material information that helps to understand the operation of corporate social responsibility: (1) The Company established the ESG Committee to promote the sustainability development. (2) The Company established the ISO Affairs Bureau, and passed the requirements to receive the certificate of ISO14001 from UL Company. (3) The Company holds charity auctions irregularly and donated all the income to public interest groups, as well as the receipt donations.			

F. Implementation of Ethical Corporate Management Best Practice principles and the differences between the performance of Ethical Corporate Management Best Practice Principles and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons:

Evaluation Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the Company have an Ethical Corporate Management policy approved by the Board of Directors and clearly state the policy and practice of good faith operation in the regulations and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the operation policy? (2) Has the Company established an assessment mechanism for the risks of dishonest behaviors in order to regularly analyze and evaluate the	V		(1) The Company Board of Directors has established “Ethical Corporate Management Best Practice Principles”. As a base of corporate conduct and ethic implementation, the Company complies with Company Act, Securities and Exchange Act, and Business Entity Accounting Act; the Company also requires suppliers to sign a “Statement of Prohibition against Manufacturers’ Bribery”. Furthermore, the Company sets out the policy related to integrity and honesty in the contract of vendor transaction, and actively implement	No difference

Evaluation Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>business activities with high risk of dishonest behaviors within the business scope, formulate the prevention plan hereby, and cover at least the preventive measures for various behaviors in Item 2, Article 7 of the Good Faith Operation Code of TWSE/GTSM Listed and OTC Companies?</p> <p>(3) Has the Company clearly defined the operation procedures, behavior guidelines, and complaint systems for violations for preventing dishonest conduct plans and then implemented and regularly reviewed and revised the previous disclosure plan?</p>			<p>conduct and ethic policy. In addition, Board of Directors and senior managers will implement integrity and avoid any conflict of interest.</p> <p>(2) In addition, the Company Board of Directors and senior managers will implement integrity and avoid any conflict of interest by following “Precautions Against Insider Trading Operations” and “Regulation of Board of Directors Meeting Proceedings”.</p> <p>(3) The Company has stated in the “Ethical Corporate Management Best Practice Principles” that all employees must not directly or indirectly provide or accept any unreasonable gifts, entertainment or other improper benefits, so as to prevent employees from sacrificing the Company’s rights due to their personal interests.</p>	
<p>2. Implementation of Ethical Corporate Management</p> <p>(1) Has the Company checked and evaluated whether the respective counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?</p> <p>(2) Has the Company set up a special unit under the Board of Directors to promote the business’ good faith operations, and regularly (at least once a year) reports to the Board of Directors on its good faith management policy, prevention plan, and supervision of its implementation?</p> <p>(3) Has the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?</p> <p>(4) Has the Company established an effective accounting system and internal control system to implement good faith operations, and has the internal auditing unit drawn up relevant</p>	V		<p>(1) The Company continues to implement ethic management practice and avoid any transactions with those who have records of dishonesty, and also requires suppliers to sign “Statement of Prohibition against Manufactures” Bribery”. Furthermore, the Company sets out the policy related to integrity and honesty in the contract of vendor transaction.</p> <p>(2) The Company sets up a regulatory compliance unit which is dedicated to or tasked with promoting the Company’s ethical standards. The Company’s Board of Directors also continues to carry out ethical conduct policy with all employees through corporate conduct and ethics policy. The Company regulatory compliance unit reports the performance directly to the Board of Directors on a quarterly basis.</p> <p>(3) In the “Ethical Corporate Management Best practice Principles” and the “Regulation of Board of Directors Meeting Proceedings”, the Company</p>	No difference

Evaluation Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>auditing plan according to the assessment results of the risk of dishonest behavior and checked the compliance of the anti-dishonest behavior plan or entrusted a CPA to carry out the inspection?</p> <p>(5) Has the Company organized training and awareness programs on ethical corporate management to internal and external parties?</p>			<p>also sets recusals of independent directors due to conflicts of interests, in order to prevent unethical conduct.</p> <p>(4) To fulfill the purpose of implement relevant policies on ethical conduct, the Company has established an effective accounting and internal control system that are audited by internal auditors from time to time.</p> <p>(5) The Company continues to provide ethical conduct education training courses focusing on honest and ethical management practices on a regular basis. The Company also actively carries out ethical conduct policy with all employees.</p>	
<p>3. Implementation of whistleblowing system</p> <p>(1) Has the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?</p> <p>(2) Has the Company established investigation standard operating procedures for accepting accusations, the follow-up measures to be taken after the investigation, and a relevant confidentiality mechanism?</p> <p>(3) Has the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?</p>	V		<p>(1) The Company has set relevant provisions and regulations in the “Procedures for Ethical Management and Guideline of Conduct” for whistleblowing and reward system.</p> <p>(2) The Company has set relevant provisions and regulations in the “Procedures for Ethical Management and Guideline of Conduct” for whistleblowing and reward system.</p> <p>(3) The Company has set relevant provisions and regulations in the “Procedures for Ethical Management and Guideline of Conduct” for whistleblowing and reward system.</p>	No difference
<p>4. Information Disclosure</p> <p>Has the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?</p>	V		The Company has disclosed “Ethical Corporate Management Best Practice Principles” as well as information about implementation of such policy on the Company’s official website and Market Observation Post System.	No difference
<p>5. According to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, if the Company has established its own Ethical Corporate Management Best Practice Principles, the details of its operations and differences shall be listed below: None.</p>				
<p>6. Other Information Important to Help Understanding the Status and Operations of Ethical Corporate Management: the Company has established “Ethical Corporate Management Best Practice Principles” as well as “Procedures for Ethical Management and Guideline of Conduct”. The Company continues to carry out ethical conduct policy with all employees; simultaneously, promotes ethical conduct with suppliers and regulates with contracts.</p>				

G. Corporate governance guideline and regulations

Please refer to the Company website (<http://www.asia-optical.com>).

H. Other important information regarding corporate governance:

Please refer to the company website (<http://www.asia-optical.com>) and Market Observation Post System website (<http://emops.twse.com.tw>).

I. Internal Control System Execution Status:

1. Statement of Internal Control System

Asia Optical Co., Inc.

Statement of Internal Control System

March 7, 2023

Based on the findings of a self-assessment, Asia Optical Co., Inc. (AOCI) states the following with regard to its internal control system during the year 2022:

1. The Company is fully aware that establishing, operating and maintain an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the company contains self-monitoring mechanism and the company takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that, as of December 31, 2022, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objective concerning effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32,171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 7, 2023 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Asia Optical Co., Inc.

Chairman: I-Jen Lai

General Manager: Tai-Lang Lin

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

J. If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

K. In The Latest year and Until the Printing Date of this Annual Report, Major Resolutions of Shareholders' Meeting and Board Meetings.

Meeting	Meeting Date	Resolution
Shareholders' Meeting	06.14.2022	Approving 2021 Business Report and Financial Statements
		Approving distribution of 2021 profits
		Resolution to the amendments to partial clauses of Articles of Incorporation
		Resolution to the amendments to partial clauses of Procedures of Acquisition or Disposal of Assets
		Approving the election of the 15 th term Board of Directors
		Resolution to the release of non-competition restriction on the 15 th term newly-elected directors
Board Meeting	The 15 th meeting of the 14 th session 01.03.2022	Resolution to the Company's indirect investment in mainland China
Board Meeting	The 16 th meeting of the 14 th session 01.03.2022	The Company Remuneration Committee resolved to the distribution of 2021 Employees and Directors' compensation
		Approving 2021 Business Report and Financial Statements
		Approving distribution of 2021 profits
		Approving the election of 15 th term Board of Directors
		Approving the nomination of evaluation director (including independent directors) candidates
		Approving the release of non-competition restriction of the newly-elected directors
		Approving the amendments to the Articles of Incorporation
		Approving the amendments to the Procedures of Acquisition or Disposal of Assets
		Approving to regulate the Company's Sustainable Development Best Practice Principles
		Resolution of convening reasons, dates, place and books closure period for the 2022 Shareholders' Meeting
		Resolution of the application period and place for proposals from shareholders with over 1% of shares regarding to the 2021 Shareholders' Meeting
		Up to the end of December 2021, the Company's accounts receivables and overdue accounts other than accounts receivables are not in the quality of loaning funds
		Approving the amendments to the Corporate Governance Best-Practice Principles

Meeting	Meeting Date	Resolution
		Resolution to the result of CPA Independence Evaluation
		Approving the Company 2022 Operation Plans
		Resolution to the 2021 Internal Control System Statement
Board Meeting	The 17 th meeting of the 14 th session of the BOD 05.06.2022	Resolution to the 2022 Q1 consolidated financial report
		Resolution to the Greenhouse Gas Inventory (GHG inventory) management plan and schedule
		Approving the applications of bank line of credit
		Resolution of subsidiary's application for bank line of credit
Board Meeting	The 1 st meeting of the 15 th session of the BOD 06.14.2022	Elected the 15 th Term Chairman of the Board of Directors
Board Meeting	The 2 nd meeting of the 15 th session of the BOD 08.03.2022	Resolution to the 2022 Q2 and H1 consolidated financial report
		Up to the end of June 2022, the Company's accounts receivables and overdue accounts other than receivables are not in the quality of loaning funds
		Resolution to the Company's 2021 ESG Report
		Resolution to the appointment of Remuneration Committee members
Board Meeting	The 3 rd meeting of the 15 th session of the BOD 09.29.2022	Resolution to repurchase the Company's common shares (treasury stocks) and declaration statement that financial status of the Company has been considered by the Board of Directors, and that its capital maintenance will not be affected
Board Meeting	The 4 th meeting of the 15 th session of the BOD 11.02.2022	Approving 2022 Q3 and Q1~Q3 Consolidated financial report
		Resolution to the amendments of the Procedures for the Prevention of Insider Trading and Operating Procedures for Handling Internal Material Information
		Approving the 2022 Internal Audit Plans
Board Meeting	The 5 th meeting of the 15 th session of the BOD 03.07.2023	The Company's Remuneration Committee Resolved to the distribution of 2022 Employees and Directors' compensation
		Approving 2022 Business Report and Financial Statements
		Resolution to the distribution of 2022 cash dividends
		Approving distribution of 2022 profits
		Resolution to the implementation status of the 4 th share buyback of the Company's common shares (treasury stock)
		Resolution to revise partial clauses of the Company's Rules and Procedures of Board of Directors Meetings
		Resolution of convening reasons, dates, place and book closure period of the 2023 Shareholders' Meeting
		Resolution of the application period and place for proposals from shareholders with over 1% of shares regarding to the 2023 Shareholder's Meeting
		Approving the proposal of acquisition of the land in Philippines as the plant expansion plan
		Up to the end of December 2022, the Company's accounts receivables and overdue accounts other than accounts receivables are not in the quality of loaning funds
		Resolution to set the record date for capital reduction
		Resolution to the result of CPA Independence Evaluation and the appointment of CPAs
		Approving the Company 2023 Operation Plans
		Approving the 2022 Statement of Internal Control System

2022 Major Resolutions of Shareholders' Meeting and Implementation Status:

2022 Major Resolutions of Shareholders' Meeting	Implementation Status
1. Approving 2021 Business Report and Financial Statements.	The resolution has been handled in accordance with shareholders' meeting resolution and has announced and uploaded at Market Observation Post System on June 14 th , 2022.
2. Approving distribution of 2021 profits	The resolution has been handled in accordance with shareholders' meeting resolution and the Chairman has been authorized to set the ex-dividend date on July 13 th , 2022, and the cash dividends distribution was completed on July 29 th , 2022.
3. Resolution to the amendments of partial clauses of "Articles of Incorporation"	The resolution has been handled in accordance with shareholders' meeting resolution and has announced and uploaded at the Company's official website.
4. Resolution to the amendments of partial clauses of "Procedures for Acquisition or Disposal of Assets"	The resolution has been handled in accordance with shareholders' meeting resolution and has announced and uploaded at the Company's official website.
5. Resolution of the election of 15 th term of Board of Directors	The resolution has been handled in accordance with the shareholders' meeting resolution and has been completed related updates and registration matters on June 23 rd , 2022.
6. Accepted the release of non-competition restriction on the 15th term newly-elected directors	The resolution has been handled in accordance with shareholders' meeting resolution and has announce and uploaded at Market Observation Post System.

L. Major Issues of Record or Written Statements Made by Any Director or Supervisors Dissenting to Important Resolutions Passed by the Board of Directors in the Latest Year and Until the Printing Date of this Annual Report: None.

M. Resignation or Dismissal of Chairman, General Manager, and Heads of Accounting, Finance, Internal Audit, Chief Corporate Governance Officer and R&D in the Latest Year and Until the Printing Date of this Annual Report: None.

N. Audit Fees: The Company's 2022 Independent Auditor Fees are as below.

Unit: NT\$ thousands

CPA Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-Audit Fee	Total	Remark

Deloitte & Touche	Lie-Dong Wu	01/01/2022~12/31/2022	4,760	400	5,160	
	Ting-Chien Su					

Note: non-audit fee is NTD 100 thousands for inventory check of bonded good, and NTD 300 thousands for transfer pricing audit fees; total is NTD 400 thousands

- (1) There was no non-audit fee accounted for more than a quarter of audit fee in terms of paying independent auditor, accounting firm and its affiliate companies.
- (2) There was no replacement of accounting firm. In addition, there was no any decrease in audit fee between replacement year and the year before.
- (3) There was no audit fee reduced more than 10% from the previous year.
- (4) Auditor's Independence Evaluation:

The Company's financial department has evaluated the below items for auditor's independence on a regular basis annually, and obtained the Audit Quality Indicators (AQI) and reported the evaluation results and to the Company's Board of Directors on March 7th, 2023.

- ① Auditor Rotation System: the Company's Audit service team members and their families, firms and its related affiliates did not hold any positions, financing relationships, or guarantee relationships within the Company and its affiliates.
- ② CPA's accounting firm or the Audit service team members did not have any close business relationships within the Company or its affiliates.
- ③ CPA's accounting firm or the Audit service team members did not have any joint ventures or profits sharing business relationships within the Company or its affiliates.

O. Information on replacement of CPAs:

- (1) Former CPAs: None.
- (2) Successor CPAs: None.
- (3) The Reply of Former CPAs on Article 10.5.1 and Article 10.6.2.3 of the Standards: None.

P. The Company's Chairman, General Manager, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions within the Company's Audit Firm or Its Affiliates in the Most Recent Year.

Q. Net Change in Shareholding by Directors, Supervisor, Officer, and Shareholders with 10% Shareholdings or More in the Latest Year and Until the Printing Date of this Annual Report: None.

(1) Net Change in Shareholding by Directors, Supervisor, Officer, and Major Shareholders

Unit: 1000 Shares

Title	Name	2022		01/01/2023-4/15/2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	I-Jen Lai	0	0	(14,907,039)	0
	Tsih-Mei Industrial Co., Ltd.	500,000	0	0	0
Director	Shu-Ping Wu	0	0	0	0
Director	Tai-Lang Lin	0	0	0	0
Director	Yu-Liang Lin	643,925	0	0	0
Independent Director	Hui-Ming Lu	0	0	0	0
Independent Director	Teng-Ko Chung	0	0	0	0
Independent Director	Chyan-Long Jan	0	0	0	0
General Manager	Tai-Lang Lin	0	0	0	0
Deputy General Manger	Wu-Chin Lai	0	0	0	0
Deputy General Manger & Corporate Governance Officer	Shih-Chung Chang	0	0	0	0
Assistant General Manager	Hui-Jung Lin	0	0	0	0
Accounting Officer	Wen-Ke Weng	0	0	0	0

(2) Information of shares transferred with Related Party: None.

(3) Information of equity pledged: None.

R. Information on the relationship of the Top 10 shareholders as related parties, spouses, or blood relatives within two degrees

Name	Current Shareholding		Spouse and Minor shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Representative of Jung-Chiang Investment Co., Ltd. : I-Jen Lai	18,165,440	6.51%	0	0	0	0	Tsih-Mei Industrial Co., Ltd I-Jen Lai	The same person with the Chairman.	None
	3,000,000	1.07%	33,061	0.01%	34,665,440	12.41%	Fan Kuo Investment Co., Ltd. Chun-Chia Lai	Relative within Two Degrees of Consanguinity.	None

Name	Current Shareholding		Spouse and Minor shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Representative of Tsih-Mei Industrial Co., Ltd.:	16,500,000	5.91%	0	0	0	0	Jung-Chiang Investment Co., Ltd.	The same person with the Chairman.	None
I-Jen Lai	3,000,000	1.07%	33,061	0.01%	34,665,440	12.41%	I-Jen Lai Fan Kuo Investment Co., Ltd.	Relative within Two Degrees of Consanguinity.	None
Fan Kuo Investment Co., Ltd	12,300,823	4.41%	0	0	0	0	Tsih-Mei Industrial Co., Ltd.	Relative within Two Degrees of Consanguinity.	None
Representative: Chun-Chia Lai	22,604	0.01%	0	0	0	0	I-Jen Lai	Relative within Two Degrees of Consanguinity.	None
Sheng-Yuan Hsu	6,737,948	2.41%	0	0	0	0	Hsun-Wen Hsu Ya-Min Hsu Chao-Ying Chen Hsu	Siblings Siblings Relative within Two Degrees of Consanguinity	None
Hsun-Wen Hsu	5,058,248	1.81%	0	0	0	0	Sheng-Yuan Hsu Ya-Min Hsu Chao-Ying Chen Hsu	Siblings Siblings Relative within Two Degrees of Consanguinity	None
Ya-Min Hsu	4,637,993	1.66%	0	0	0	0	Sheng-Yuan Hsu Hsun-Wen Hsu Chao-Ying Chen Hsu	Siblings Siblings Relative within Two Degrees of Consanguinity	None
Citibank (Taiwan) Ltd. in custody for Norges Bank	3,492,480	1.25%	0	0	0	0	None	None	None
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Market Stock Index Fund, a series of Vanguard International Equity Index Funds	3,029,260	1.08%	0	0	0	0	None	None	None
I-Jen Lai	3,000,000	1.07%	33,061	0.01%	34,665,440	12.41%	Jung-Chiang Investment Co., Ltd. Tsih-Mei Industrial Co., Ltd. Fan Kuo Investment Co., Ltd. Chun-Chia Lai	The same person with the Chairman. Relative within Two Degrees of Consanguinity with the Chairman. Relative within Two Degrees of Consanguinity.	None

Name	Current Shareholding		Spouse and Minor shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,939,519	1.05%	0	0	0	0	None	None	None

S. Number of Non-Consolidate Affiliates Shares held by AOCI, AOCI's Directors, Supervisor, Officer, and Causes which Directly or Indirectly Controlled by AOCI; In Addition, Combined Calculation of Consolidate Shareholding Ratio:

Unit: 1000 Shares; %

Non-Consolidated Affiliates (Note 1)	AOCI's Investment		Directors, Supervisor, Officer and, Direct or Indirect Investment		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
Dongguan Tailien Optical Co., Ltd.	0 (Note 2)	17	0 (Note 2)	73	0 (Note 2)	90
RICHMAN INTERNATIONAL GROUP CO., LTD.	2,566	100	0	0	2,566	100
ASIA OPTICAL INTERNATIONAL LTD.	15,686	100	0	0	15,686	100
POWERLINK ELECTRONIC INTERNATIONAL LTD.	50	100	0	0	50	100
Taiwan Top Optical Co., Ltd.	8,248	94	0	0	8,248	94
Asia Tech Image Inc.	19,028	26	0	0	19,028	26
AOE Optronics Co., Inc.	19,066	95	507	3	19,573	98
POWERLINK ELECTRONIC INTERNATIONAL (CAYMAN) LTD.	1,500	100	0	0	1,500	100

Note 1: The Company's long-term investments were accounted for using the equity method.

Note 2: Not applied to non-limited companies.

IV. Capital Overview

1. Capital and Shares

(1) Capitalization

Unit: 1,000 Shares; NT\$ thousands

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
08.2009	10	313,000,000	3,130,000,00	259,127,514	2,591,275,140	Capital Surplus Transferred to Capital NT\$25,359,150	None	08.06.2009 Authorized No. 09800400860
05.2010	10	313,000,000	3,130,000,00	270,212,781	2,702,127,810	CB Transferred to Capital NT\$110,852,670	None	05.06.2010 Authorized No. 09900400410
08.2010	10	313,000,000	3,130,000,00	271,045,504	2,710,455,040	CB Transferred to Capital NT\$8,327,230	None	08.02.2010 Authorized No. 09900400810
11.2010	10	313,000,000	3,130,000,00	271,049,140	2,710,491,400	CB Transferred to Capital NT\$36,360	None	11.01.2010 Authorized No. 09900401070
03.2011	10	313,000,000	3,130,000,00	268,241,678	2,682,416,780	CB Transferred to Capital NT\$1,925,380 Cancellation of Treasury Stocks NT\$30,000,000	None	03.17.2011 Authorized No. 10000400320
05.2011	10	313,000,000	3,130,000,00	281,018,184	2,810,181,840	CB Transferred to Capital NT\$127,765,060	None	05.16.2011 Authorized No. 10000400480
09.2011	10	313,000,000	3,130,000,00	281,038,451	2,810,384,510	CB Transferred to Capital NT\$202,670	None	09.08.2011 Authorized No. 10000400990
11.2014	10	313,000,000	3,130,000,00	281,083,901	2,810,839,010	CB Transferred to Capital NT\$454,500	None	11.21.2014 Authorized No. 10300401200

03. 2023	10	313,000,000	3,130,000,000	279,243,901	2,792,439,010	Cancellation of Treasury Stocks NT\$(18,400,000)	None	03.17.2023 Authorized No. 112400023
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04/11/2023

Unit: Shares

Shares Category	Authorized Capital			Remark
	Issued Shares (Note 1)	Unissued Shares	Total	
Common Stock	279,243,901	33,756,099	313,000,000	Publicly Issued

Note. The Company did not take the Shelf Registration for issuing securities.

(2) Composition of Shareholders

04/15/2023

Type of Shareholders Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural persons	Total
Number of Shares	1	12	296	65,676	174	66,159
Shareholding	10	1,282,122	52,450,254	197,967,964	27,543,551	279,243,901
Holding Percentage%	0.00%	0.46%	18.78%	70.89%	9.86%	100.00%

(3) Distribution Profile of Share Ownership

04/15/2023

Category by Shareholdings	No. of Shareholders	Number of Shares	Ownership Percentage
1 ~ 999	27,514	836,583	0.30%
1,000~ 5,000	32,744	62,747,762	22.47%
5,001~ 10,000	3,346	26,352,652	9.44%
10,001~ 15,000	911	11,677,506	4.18%
15,001~ 20,000	555	10,287,598	3.68%
20,001~ 30,000	439	11,224,339	4.02%
30,001~ 40,000	178	6,420,521	2.30%
40,001~50,000	121	5,591,783	2.00%
50,001~ 100,000	196	14,136,997	5.06%
100,001~ 200,000	68	9,421,866	3.37%
200,001~ 400,000	44	12,647,562	4.53%
400,001~ 600,000	15	7,729,366	2.77%
600,001~ 800,000	6	4,234,000	1.52%

800,001~ 1,000,000	2	1,820,000	0.65%%
Over 1,000,001	20	94,115,366	33.70%
Total	66,159	279,243,901	100.00%

* Preferred Stock: None.

(4) The list of Major Shareholders with 5% Shareholdings or More, or Top 10 Shareholders

04/15/2023

Shareholders \ Shareholding	Total Shares Owned	Ownership Percentage
Jung-Chiang Investment Co., Ltd.	18,165,440	6.51%
Tsih-Mei Industrial Co., Ltd.	16,000,000	5.91%
Fan Kuo Investment Co., Ltd.	12,300,823	4.41%
Sheng-Yuan Hsu	6,737,948	2.41%
Hsun-Wen Hsu	5,058,248	1.81%
Ya-Min Hsu	4,637,993	1.66%
Citibank (Taiwan) Ltd. in custody for Norges Bank	3,492,480	1.25%
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,029,260	1.08%
I-Jen Lai	3,000,000	1.07%
JP Morgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,939,519	1.05%
Total	75,861,711	27.17%

(5) Market Price Per Share for the Past Two Fiscal Years, together with the Company's Net Value Per Share, Earnings Per Share, Dividends Per Share, and Related Information

Item	Year	2021	2022	2023(As of May 2 nd)
				(Note 8)
Market Price Per Share (Note 1)	Highest	103.50	96.90	73.60
	Lowest	66.50	52.50	60.10
	Average	84.60	68.58	68.07

Net Value Per Share (Note 2)	Before Distribution	43.23	44.71	42.44	
	After Distribution	39.53	42.81	(Note 9)	
Earnings Per Share	Weighted Average Share Numbers (thousand shares)	281,084	280,665	279,244	
	Earnings Per Share (Note 3)	5.34	3.29	0.07	
Dividends Per Share	Cash Dividends	3.70	1.90	—	
	Stock Dividend	Appropriated from retained earnings	0	0	—
		Appropriated from capital surplus	0	0	—
	Accumulated Undistributed Dividend (Note 4)	0	0	—	
Return on Investment Analysis	P/E Ratio (Note 5)	15.84	20.84	—	
	P/D Ratio (Note 6)	22.86	36.09	—	
	Cash Dividend Yield (Note 7)	4.37%	2.77%	—	

*If shares are distributed in connection with a capital increase out of retained earnings or capital reserves, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: The highest and lowest market prices of common stock were listed in each year. In addition, the average market price of each year was calculated based on the annual transaction value and volume.

Note 2: Net value per share was based on the number of issued shares at the end of the year. The distribution will be decided according to the resolution of the next annual general meeting.

Note 3: If adjustments must be made due to stock dividends, list the EPS before and after adjustment.

Note 4: If there are any undistributed dividends in the previous fiscal year, it should be separately disclosed on the accumulated undistributed dividend in the end of that fiscal year.

Note 5: Price/Earnings Ratio= Current Year Average Market Price/Earnings Per Share

Note 6: Price/Dividend Ratio= Current Year Average Market Price/Cash Dividends Per Share

Note 7: Cash Dividend Yield Rate= Cash Dividends Per Share/ Current Year Average Market Price

Note 8: The Company should fill out the latest quarter CPA's audited Net Value Per Share and Earnings Per Share as of the printing date of this Annual Report; other blanks shall be filled in with the current fiscal year information as of the printing date of this Annual Report.

Note 9: The dividends of 2023 will be approved upon the approval of 2024 Board of Directors' meeting resolution.

(6) Dividend Policy and Distribution of Earnings Implementation Status

(A) Dividend Policy

If the Company has net profit as a result of the yearly accounting closing, the Company shall distribute 5% to 20% net profits as employees' compensations, and it will be distributed with stock dividend or cash dividend in accordance with the board of directors' resolution. The distributed party should fit in certain qualification as the Company's employees in the controlling companies or affiliate companies. The Company will distribute no higher than 3.5% of its net profit as directors' compensations. The employees and directors' compensation distribution proposal should be reported to annual general meeting.

However, once the Company still has accumulated deficits of the yearly accounting closing, the Company shall offset its losses in previous years and set aside a legal capital reserve of the profits, and then the compensation to employees and directors will be distributed in accordance with the previously mentioned percentage.

If the Company still has accumulated deficits of the yearly accounting closing, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the net profit, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge, then appropriate not less than 10% of the remaining balance plus undistributed earnings in begin of period are available for distribution as dividends to shareholders. The board of directors may propose the distribution for approval in the shareholders' meeting.

In consideration that the Company is in a capital and technology-intensive industry and in consideration of the Company's expansion and for its continual and steady growth, a long-term investment plan needs to be adopted; therefore, the Company adopts the residual dividend policy and its dividend policy. Dividends paid by cash shall not be less than 10% of the total dividends.

(B) Proposed Distribution of Dividend (not reported to the shareholders' meeting)

The Board adopted the proposal for 2022 profit distribution at its quarterly meeting on March 7, 2023. The proposed profit distribution of 2022 profit will be distributed by cash dividend from the earnings distribution NT\$ 530,563,411. The cash dividend is NT\$ 1.9 per share.

(C) If a material change in dividend policy is expected, provide an explanation:
None.

(7) Effect upon Business Performance and Earnings Per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Annual General Meeting: Not Applied.

(8) Compensation to Employees and to Directors

1. The percentages or ranges with respect to employees and directors compensation, as set forth in Company's Articles of Incorporation:

If, after setting aside the Company's accumulated losses of the previous years, there is any positive annual profits before tax (without giving effect of the deduction of the employees' compensation and director s' compensation), the Company shall appropriate from 5% to 20% of such annual profits before tax as the employees' compensation and not more than 3.5% of such annual profits before tax as the directors' compensation.

However, once the Company still has accumulated deficits of the yearly accounting closing, the Company shall offset its losses in previous years and set aside a legal capital reserve of the profits, and then the compensation to employees and directors will be distributed in accordance with the previously mentioned percentage.

2. The basis for estimating employees and directors' remunerations for the current period, the basis for calculating the number of shares paid to employees' compensation distributed as stock dividend, and accounting treatment when the actual amount distributed is different from the estimates amount:

In accordance with the Articles of Incorporation, the Company shall appropriate from 5% to 20% of the annual profits before tax as employees' compensation and not more than 3.5% of such annual profits before tax as directors' compensation. The employees' compensation and directors' compensation amounts of 2022 is NT\$184,013,000 and NT\$24,500,000 which is estimated by 15% and 2% of the aforesaid annual profits. Such amount of money

has resolved by the Board of Directors in March 2023, and will be adopted by the resolution to distribute in the form of cash. This shall be reported to the annual general meeting on June 13, 2023.

If there is any discrepancy between distributed amounts and estimated figures by the Board of Directors' resolution before the disclosing date of the annual consolidated financial statements, it will be recognized as the yearly expenses. If, there is still any discrepancy between the distributed amounts and estimated figures after the disclosing date of the annual consolidated financial statements, it will be handled in line with the changes in accounting estimates of accounting policies, and it will be recorded and reported in the next fiscal year financial information.

3. Status of compensation distribution as approved by the Board of Directors:

- The value of compensation given to employees in the form of cash or stock, and the value of compensation given to directors. If there is any discrepancy between such value and the estimated figure for the year, these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed :

The 2022 employee's and directors' compensation was resolved by the Board of Directors on March 7, 2023:

(1) NT\$184,013,000 in cash will be distributed to employees as compensation. There is no any discrepancy between such value and the estimated figure for the year.

(2) NT\$24,500,000 in cash will be distributed to directors as compensation. There is no any discrepancy between such value and the estimated figure for the year.

- The value of compensation given to employees in the form of stock as a percentage of after tax net income in individual or separate financial statement and total employee compensation for the current period: the Company did not resolve to distribute stock to employees as 2022 employees' compensation.

4. The actual distribution of compensation of employees and directors for the previous fiscal year (including the number, dollar amount, and stock price, of the shares distributed), and if there is any discrepancy between the actual distributions and the recognized compensation of employees and directors additionally the discrepancy, cause, and how it is treated:

The actual distribution of 2021 is as below.

	Board Resolution (03.25.2022)	Actual Distribution		
	Amount (NT\$)	Amount (NT\$)	Equivalent Number of Shares	Dilution(%)
Directors' Compensation	37,300,000	37,300,000	None	None
Employees' Compensation	259,800,000	259,800,000	None	None
Total	297,100,000	297,100,000	None	None

Note. There is no difference between the BOD's proposed amount of compensation to be distributed to employees and directors and the amount listed in the 2021 financial statements.

(9) Buyback of Common Stock: (It has been completed.)

Term of repurchase	The 4 th time
Purpose of repurchase	To maintain credit and shareholders' equity of the Company
Term of repurchase	2022/10/03~2022/11/29
Price range	From NT\$42 to NT\$75. The repurchase will be continued if the share price is below the minimum price.
Expected quantity of repurchase	1,840,000 Common Shares
Types of share and quantity purchased	NT\$109,717,674
Amount of shares repurchased	0.65%
Number of shares written off	1,840,000 Common Shares
Cumulative number of shareholding of the Company's shares	0
Ratio of cumulative number of shareholding of the Company's shares to the total number of shares issued (%)	0

2. Issuance of Corporate Bonds: None.

(a) Unredeemed corporate bonds and corporate bonds: None.

(b) Convertible bonds: None.

(c) Exchangeable bonds: None.

(d) Shelf registration for issuing bonds: None.

(e) Corporate bonds with warrant: None.

3. Issuance of Preferred Stocks: None.

4. Issuance of Overseas Depositary Receipts: None.

5. Issuance of Employee Stock Option Plan: None.
6. Issuance of New Restricted Employee Stock: None.
7. Status of New Share Issuance in Connection with Mergers and Acquisitions of other Companies: None.
8. Capital Utilization Plans and Implementation Status: None.

IV. Operational Highlights

1. Business activities

(1) Business Scope

1. Major business contents

- ① Machinery Equipment Manufacturing
- ② Multifunctional Printing Equipment Manufacturing
- ③ Telecommunication Equipment Manufacturing
- ④ Computer Peripherals and Equipment Manufacturing
- ⑤ Optical Instruments Manufacturing
- ⑥ International Trade
- ⑦ Restrained Telecom Radio Frequency Equipment and Materials Import
- ⑧ Wholesale of Medical Devices
- ⑨ Importing of Weights and Measuring Instruments
- ⑩ All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Percentage of Sales Revenue

Unit: NT\$ thousands

Item \ Year	2021		2022	
	Revenue	%	Revenue	%
Optical Instruments	11,623,408	55.41	10,267,017	53.82
CIS Modules	4,048,789	19.30	4,212,325	22.08
Optoelectronics Parts	2,298,056	10.96	1,448,173	7.59
Optical Components	1,920,087	9.15	1,190,528	10.01
Others(Note)	1,086,467	5.18	1,239,005	6.49
Total	20,976,807	100.00	19,077,048	100.00

Note: Others include metal parts, prism glass products, and so on.

3. Current Products and New Developments

- ① Continuous development of Industrial AGV (Automated Guided Vehicle) and AMR (Autonomous Mobile Robot) modules
- ② Continuous development of 3D LiDAR projects for automotive
- ③ Continuous development of OIS binocular telescope range finders
- ④ Continuous development of 3D LiDAR
- ⑤ Continuous development of IP Cam Lens modules
- ⑥ Continuous development of automotive lens modules
- ⑦ Continuous development of 10X folded type zoom lens modules for smart phones

(2) Industry Overview

1. The present and the future

The main business items in AOCI are manufacturing, processing, and sale of all kinds of optical components that are mainly applying into the precision optics lenses and camera lenses, including camera lenses for smartphones, digital still camera lenses, riflescopes, laser range finders, contact image

sensors, lenses for projectors and so on. Recently, AOCI has successfully forwarded the optical lens development and manufacturing capabilities to car lenses, surveillance camera lenses, street view camera lenses, and so are the other related applications market. On the other hand, the LDS (laser distance sensors) modules are also quite popular with the IoT smart home appliances market.

Optics Industry is one of the most ancient basic sciences, only using physical optics not electricity. Nowadays, most optoelectronics products are produced through the optical system to generate the following effects of the interactions between optics and electricity. For numerous optical lens related products, they have been one of the most application products in optical industry. In other words, the optical industry consists of the optoelectronic technology as the core techniques and combining with all sorts of components, parts, equipment, and the application market.

As the progress of modern technology, the applications of optical lenses are extensively used. With the rapid progress of electronic science, mobile internet and wireless internet, IoT, cloud identification, Biometrics and other related scientific technologies, security surveillance system and consumer electronics downstream appliances appear to be in the trends of digitization with high definition and intellectualization with networking. High quality optical lenses have become the major core part in security surveillance cameras, ADAS, In-Vehicle information systems, smart home appliances, drones, and medical equipment, which matters the application results the most in the above-mentioned products.

	Major environment changes	Product applications	Product change and innovation
80's	Many Japanese enterprises came to Taiwan to establish manufacturing factories.	Traditional cameras, traditional binoculars, microscopes, projectors, photocopiers, image scanners, barcode scanners, and other precision lenses	High unit price / Large diameter lenses
90's	The internet application has risen and the traditional cameras became digitized.	The optical components were about 80% applied in the digital still cameras, and the applied percentages of scanners, projectors and other optoelectronics products were also increased.	Due to the low labor cost in Mainland China, more and more Taiwanese factories moved to China gradually or invested in automatic manufacturing

			equipment.
After 2000	The laptop market has risen.	From the image products changed to optical disc drive, laptop cameras, and other computer related accessories.	Miniaturization, standardization, and short product life cycle
2009~2010	The popularization of smartphones.	The products applied in cell phones and smartphones were accounted for the highest rate of 39.7% in 2009.	The products were more directed into the high pixel and high image resolution developments.
After 2011	The Smart TVs have become the lead in digital market trends.	Smart TVs, Tablet PCs, and other display monitors that are contained built-in image sensor lenses	The products have leaded to optical touch panel lenses and the development of optoelectronics technology.

Data source: Digitimes, 2010/10

2. Relationship with upstream, middle stream, and downstream companies

From upstream to downstream industry chain, the precision optical component industry in Taiwan is quite complete. It can be divided into upstream material industry, middle stream optical component industry, and downstream optical products and relevant parts and accessories industry by its vertical separation. Their main products are as listed as below table.

Construction of Optical Industry

Upstream, middle stream, downstream industries		Main products	Major companies
Upstream	Optical material	Optical glass blanks	T-unique Co., Inc. TAIWAN OHARA OPTICAL CO., LTD. (Japanese company) Taiwan HOYA Lens Taiwan Ltd. (HOYA)
		Traditional plastic optical material	Importation mainly
Middle stream	Optical design Optical components Mold and modules manufacturing Optical coating	Optical system design Optical engines Glass grinding lenses Injection-molded plastic lenses Lens coating Low Pass Filter Various lenses and lens sets	Genius Electronic Optical/ Largan Precision Co., Ltd. /Asia Optical Co., Inc., / Kinko Optical Co., Ltd./ Young Optics / Calin Technology Co., Ltd. / Jin-Jun Optical Co., Ltd. / Ability Opto-Electronics Technology Co., Ltd. / Newmax Technology Co., Ltd. /H.P.B. Optoelectronics Co., Ltd. / BASO Precision Optics Ltd. / E-Pin Optical Industry Co., Ltd. / He-Guang Optics Co., Ltd./ Litefilm Technology Co., Ltd. / APEX Optech Corporation / Canon Marketing Taiwan Co., Ltd. (Japanese invested)

Upstream, middle stream, downstream industries		Main products	Major companies
Downstream	Product applied industries: Optical instrument Computer peripherals Consumer electronics devices	DSCs Image scanners PC Cameras Projectors Image captures for mobile phones Microscopes / Binoculars	Over 100 companies

Data source : This table is in accordance with the information provided from PIDA.

3. Product Trend

The main products of AOCI are optical lenses, riflescopes, microscopes, laser rangefinders, and its parts and components. The optical lenses are primarily ODM manufactured according to the needs of customers. As for riflescopes, this product is more a customer-oriented leisure sports equipment aid, so the customers are relatively stable. Regarding to laser range finders and its parts and components, the main function of this product line is to detect the distance and the product-applied area covers leisure recreational activities, such as mountain-climbing, sailing, golfing, and so on or for construction engineering. The product trend evaluation of AOCI is as below.

(1) Optical Instruments:

With the advances and innovation in electronic and information products, especially with the help of electronics manufacturing technology, the sizes of circuit boards, parts, and components are able to be minimized, which becomes a boost to the development of optoelectronic products. The optical components (lenses) are mostly used as the interface of the optoelectronic products. Moreover, as the rise of the autopilot system, Advance Driver Assisted Systems (ADAS), artificial intelligence (AI), smart home appliances, drones, AR/VR, Biometrics, and other latest optical lens applied markets, the optical component products are heading to the way of high-precision, high-grinding, and high-coating oriented products.

Apart from concentrating on the high-end niche models and expanding to other fields, AOCI has also continuously dedicated to developing high resolution, action cameras, and other niche models. By using its imaging processing technology, AOCI has further stepped into the virtual reality (AR), security surveillance fields to discover new development growth.

(2) Contact image sensors take advantage of the revolution and innovation in IC foundry manufacturing process, low power consumption, and high system

integration. Therefore, it is going on the way toward high depth of field, fast, and digitalization output. This not only to solve the interference problems while using FFC to transmit, but also to extend the application levels of CIS products to finance, medical, and manufacturing industries.

(3) Optoelectronic Products:

As the vibrant development of global economics in recent years and the rise of GNP, riflescopes are widely used in leisure sports under the increasing needs for recreational activities.

4. The Competition

In recent years, the requirements of optical lens industry became higher and higher in the demands of upgrading techniques and investing in research and development. Optical lens design and manufacturing both require long-term professional know-how accumulation, and AOCI can complete the techniques by using its existing optical designing and manufacturing abilities along with the integration of mechanic and electronic technology professionals. With the long-term development on optical core technology and the optical, mechanism, electronic technology professional teams, AOCI can be viewed as the most complete optical company with the defined vertical integration of core technologies. AOCI's product ranges are from all kinds of optical components to the downstream optical finished products, so there is no company the same as AOCI by the aspects of technical skills, product varieties, vertical integration of upstream and downstream, and the operation scale.

The sales of all smartphone lenses are slowing down by the decline of iOS systems and Android systems; however, the car lenses industry is still a terra frusca. More and more motor vehicle manufacturing companies has valued the Advanced Driver Assistance Systems (ADAS) and autopilot function. As a result, with the knock-on effect, the opportunity of car lenses rises, especially the request for automatic emergency braking (AEB) from Insurance Institute for Highway Safety (IIHS) and National Highway Traffic Safety Administration (NHTSA). The mmWave Radar and CMOS are two pieces of standard equipment for AEB.

Although the resolution is a lower requirement for car lenses, the cars will be driving outdoors- in high mountains or down in the valleys, in the day or in the night, even in windy, rainy, snowy and all kinds of weather environments. The car lenses all have to pass through the extreme temperature testing, dust and water

resistance test, and vibration test, and other extreme environmental testing to ensure the images can maintain clear. Additionally, cars usually travel at very high speed, so the car lenses have to identify with the outside environments instantly and precisely. Since the physical properties of plastic lens is intolerant to high temperature, the glass lens is relatively having an upper hand for high refractive index, low absorptivity, wide transmission scope, high anti-deformation performance, high tolerance rate of extreme temperature and humidity, high hardness and better performance of scratch-resistant. That is why car lenses are mostly G+P (glass + plastic) Hybrid lenses, about 5 to 7 pieces. Hybrid aspherical lenses are much more easily to correct the distortion, chromatic aberration, coma, and the other optical aberrations. Hence, ADAS, even self-driving cars require for higher CMOS, and they are usually 7 pieces or over than 7 pieces hybrid aspherical lenses.

Currently, the earliest pioneer stepping into the car lenses industry in Taiwan is AOCI. Besides the mass production capability of precision glass molding for aspherical lenses, the laser range finder distance detecting technology is also another indispensable significant technology. AOCI has been making efforts on the laser range finder distance detecting technology (TOF / LiDAR) for many years, from the basic military applications and hunting purposes. It is nowadays the latest niche technology to go with the autopilot system.

On the other hands, the global major CIS manufacturing companies, such as Asia Tech Image Inc., Creative Sensor Inc., Lite-On Semiconductor Corp., Canon, ROHM Semiconductor, and so on, have reduced the sales of CIS products gradually in recent years.

(3) Technology & R&D Overview

1. R&D Expenses in the most recent fiscal year up to the printing date of the report

Unit: NT\$ thousands; %

Year	2022	2023 Q1
Net Sales	19,077,048	3,835,897
R&D Expense	849,500	187,667
%	4.45%	4.89%

2. Technologies or products that were successfully developed in recent five years
 - A. Accomplishment of development of laser distance sensor (LDS) motor

- modules for household robotic vacuum cleaners
- B. Accomplishment of development of OIS binocular telescope range finders
- C. Accomplishment of development of new rifle scopes and laser range finders
- D. Accomplishment of development of automotive lens modules
- E. Accomplishment of development of IP Cam Lens modules
- F. Continuous development of 3D LiDAR modules
- G. Continuous developments of 10X folded type zoom lens modules for smartphones

(4) Short and Long Term Business Development Plans

1. Short-term plans

- (1) Develop diversified products, and enhance the accuracy and precision of design-manufacturing integration ability.
 - ◆ Intensify the manufacturing and processing abilities of various special optical components.
 - ◆ Integrate the mechanism and electronic functions to increase the added value to products.
 - ◆ Enhance the accuracy and precision of research and development management to maximize the R&D benefit results.
 - ◆ Actively develop high-power digital zoom lenses, pico-projector products, and multi-function printer optical engines to comply with the product trend and pander to the market needs.
- (2) Continue to lower the cost and maintain the excellent product quality to improve the competitiveness.
 - ◆ To implement TP management to pursue superior quality and react to improvement instantly to reduce the costs.
 - ◆ To implement manufacturing innovation campaigns to improve the process flow and equipment automation for enhancing the production capability and reducing the manufacturing cost.
 - ◆ To combine all the advantages in land, labor costs, and preferential tariff of each production base overseas to produce and manufacture all mature models and back-end process of assembly for increasing the competitiveness and lowering the manufacturing cost by international division of labor.
- (3) Expand the optical application fields to develop new products for pandering to the market demands.
 - ◆ Work with the international major enterprises and independent development simultaneously to accelerate the speed of product

development and order tracking for improving the techniques.

- ◆ Extend the product diversification on the basis of the core optical technologies and continue developing new products for satisfying with the market demands.
- ◆ Actively involve with next generation products in the advantages of world-class mass production capacity and technologies.

2. Long-term business development plans

- (1) Actively research and develop new products and maintain a leading position in optoelectronics component industry

The application scope of optoelectronics products is quite wide, adding to the ever-changing technology, the optoelectronics products are extensively used. For the design, light, thin, compact, and tiny are the main development properties for the market trends to maintain the leading position in application of design and development abilities.

- (2) Value and improve the proprietary technologies and intellectual property rights

Actively to improve the ODM ability, meanwhile, by applying for the patent rights to build up the technology threshold and protect the Company's intellectual property rights. This can be the Company's most crucial advantage of optical designing.

- (3) Continue to research and develop new products in order to respond to the future trends

Looking into the future market trends, the Company is continuously researching and developing innovative and high added-value products. For example, the high zoom-ratio lens, upper-intermediate digital still cameras, auto-focus zoom lenses for smartphones, and pico projectors will enrich and diversify the Company's product mix.

- (4) Global Logistics Management

With the development of the Company's business, the future marketing and production locations will be located in all primary markets globally. Therefore, reinforcing the global logistics management through united information systems to synchronize all information from each business units is to accelerate the decision-making and execution efficiency. Even the operation scale is constantly in expanding, the Company still can maintain the high efficiency of decision-making and execution.

2. Market and Sales Overview

(1) Market Analysis

1. Areas of distribution for primary products and services

- ① Optical lenses: main distribution areas are Taiwan, Japan, other Asia countries, European and the United States of America.
- ② Laser range finders and components: main distribution areas are the European, United States of America, and Japan markets.
- ③ Optoelectronic products and instruments: the primary market is the Americas.
- ④ Other optical parts and components: the primary markets are in Japan, Asia countries, the United States of America.

2. Market share and future market supply and demand and future growth

The Digital revolution impacts the whole world, not only for information technology industry, but also attempting to change the life habits of human beings. Traditional optical industries have also evolved into the precision industries due to the image capturing technology. Light, thin, compact, and tiny are the portraits of current modern digital products, like digital still cameras, smartphones, and video cameras. On the basis of the development trends, the optical components to go with these modern digital products, such as lens modules, lenses, and other related optical parts, have to catch up with the trends to become more sophisticated and tinier.

As the progress of modern technology, the applications of optical lenses are extensively used. Since the rapid improvements on Electronics Science and Technology, mobile internet, Iot, cloud computing, Biometrics, and other relevant science technologies, the security surveillance monitoring, consumer electronics products, and other downstream products are appearing to be in the trends of digitalization, high resolution, networking, and intellectualization. High quality optical lenses have become the critical components applied into security surveillance cameras, ADAS, In-Vehicle information systems, smart home appliances, drones, and medical equipment. Aside from the traditional optical components application market, these constantly rising new application markets continue to stimulate a great outlook for optical coating parts and components. Below are the descriptions of the future growth regarding to the recent primary optical coating parts and components markets and downstream product applications.

- ① Electronic Image Capturing Optical Coating parts and components

The strong demands for technology products in emerging markets give a boost to the constant enlargement of camera phones and

In-Vehicle information systems. The critical component-optical coating components are in a surge of high demands. With the escalating of internet communication bandwidth and conveniences, image transmission has soared in the demands, and electronic image capturing optical coating parts and components are commonly used in mobile phones, smart handheld devices, and In-Vehicle information systems or other products, which leaves a growing space for the optical coating parts and components.

② Optical coating parts and components for LCD projectors

LCD projectors are so popular in optoelectronics products. Optical engines are the hearts to the LCD projectors, and there are many critical components used massively in the field of optical coating technology, such as system integration, high-efficiency optical module designing, optical mechanism designing, image splitting optical systems, projector lens modules, Dichroic Filter lenses, near infrared rays and UV-IR Filter, High Reflective mirror, X-Prism, Color wheel PBS. Gradually, more and more companies have been dedicated to producing LCD projectors, and now, Taiwan is taking the advantages of information product developing and production capabilities, and has been getting in the form of a top manufacturing country in the world.

③ Traditional optical coating

Fog lamps for motor vehicles, processing antiglare prisms, superior protective goggles coating, and other consumer packaged goods are in stable growth for a long time. As the rising demands for PC cameras, digital still cameras, camera phones, LCD projectors, and other optoelectronics products, this will drive the market to supply more optical components in order to meet the needs of the market. Most domestic professional manufacturing companies of optical components coating have had advanced multi-layer coating design, multi-layer coating manufacturing process, and R&D abilities. Once the massive production products of multi-layer coating can be introduced to the market rapidly, that will be helpful to get ahead of the game and take the lead position in this high-end precision optical coating component market competition.

④ Market share

The primary products of the Company are optical instrument, optical components, rifle scopes, laser ranger finders and other related parts and accessories. Among these products, the production scale of precision molding glass lenses and zoom lenses is already in one of the major global plants; especially for the rifle scopes, the Company has set up the production base in Philippines due to the concern of custom duty. The main sales distribution areas are including the United States of America, Japan, and other European countries. Because the laser range finder product line is in the highest technology level, the main marketing and distribution areas are concentrating in developed countries like the United States of America and European countries.

3. Competitive niche, advantages and disadvantages of the Company's vision of response measures

(1) Competitive niche and advantages of the Company's vision

- ① The Company is equipped with the critical core optical technology and retrieving the business opportunities to cooperate with the major international optical companies for upgrading the techniques.

Along with original self-design and development abilities, the Company has critical core technologies of multi-layer coating, precision molding glass for aspherical lenses, and so on in order to enlarge the varieties of ODM products and product-market scopes. On the other side, the Company takes control of the ODM/OEM orders by cooperating with the major international optical companies and winning the opportunity to upgrade the techniques.

- ② The Company's excellent quality to win the recognition from customers of international famous brands.

The Company has obtained the certifications of ISO 9001, ISO14001, and also regulated related the working systems, operation standard regulations for all workplaces. So, from the whole progress of product development, satisfying with customers' needs from the beginning stage of designing is the ultimate purpose of the Company. Therefore, the product quality will surely win the recognition from customers, and then to gain more business opportunities.

③ Global Logistics Management and favorable vertical integration

The Company has numerous production bases in Taiwan, Mainland China, Philippines, and Myanmar, and by taking the advantages of various technologies from all company locations, labor costs, and differences between tax policies, the product mix can be more efficiently allocated. The Company's R&D teams are all around in Taiwan, Japan, and China in order to get the first hand market updates and have a better control of the product trends locally. Only if they are complied with the aforementioned will be introduced the Company products to meet with the local markets demands.

Thus, the Company has committed to vertical integrations from optical system design, molding techniques for spherical lenses / aspherical lenses, molding manufacturing capabilities, to lenses or final product assemblies for many years. Also, since the Company has the self-manufacturing ability, this internal advantage will be crucial to the Company for winning in the speed-oriented and cost-competing generation.

④ Value and improve the proprietary technologies and intellectual property rights

Currently, the Company has possessed hundreds of worldwide patents. By filing for the patent rights, the Company has not only had the technology strength, but also built up the competing threshold to protect the Company's intellectual property rights and prevent from other opponents to enter in related markets, which is one of the greatest advantages in optical design companies. The Company will continue to reinforce the patents filing worldwide to cultivate the competitiveness and consolidate the market position.

(2) Disadvantages and response measures

- ① Product life cycle of optoelectronics products is short, so the innovation research and development ability is the key to the Company's sustainable operation. Based on this, the Company established Central Research Center to coordinate the research and development plans and resources, and the R&D teams are located

in the primary markets of Japan, Taiwan, and Mainland China areas to catch up with the latest local product marketing trends in time and be the lead among the other competitors to develop the next generation products.

- ② The price competition among digital still cameras, camera phones, and related consumer electronics products is increasingly competitive, so the manufacturing cost will directly affect the product competitiveness in the market. Given that the competition is fierce, the Company actively intensifies the arrangements of international cooperation to maximize the cost competitiveness apart from dedicating to the vertical integration and diversifying the benefits of manufacturing cost and economies of scale.

(2) Important Applications and Manufacturing Processes of Main Products

1. Important applications

① Optical Instruments

Basically, optical components are designed and manufactured in accordance with the customers' needs of complete product mechanical construction, and are applied to the applications of digital still cameras, phone cameras, projectors, video cameras, photocopier machines, scanners, and etc. The Company offers varieties of lens modules to customers for assembly.

② CIS (Contact Image Sensors)

The main applications are multi-function printers, image scanners, business card scanners, photocopier machines, and facsimile machines.

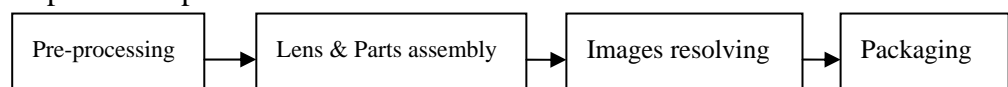
③ Optoelectronics products

The primary purposes of this product line are for shooting aids, and also for crosshair of monocular telescopes to adjust the focal points with zooming functions. Currently, optoelectronics products are extensively used in recreational sports.

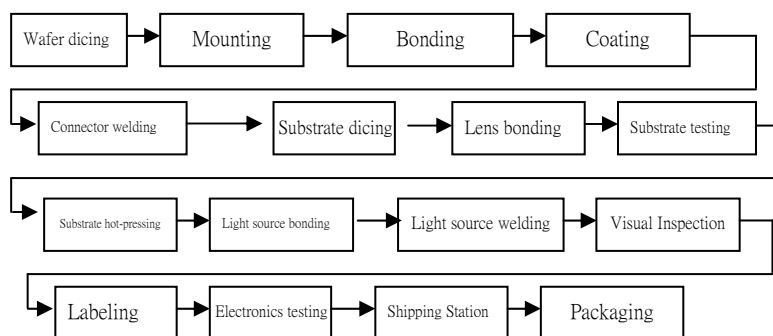
2. Manufacturing processes

The Company's products are mainly divided into three parts, and will be separately described as below.

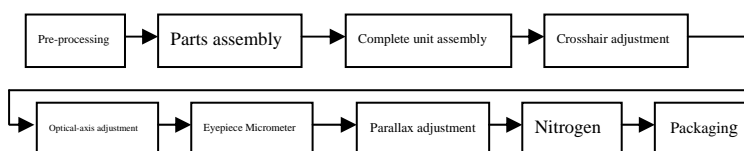
① Optical components:



② CIS (Contact Image Sensors):



③ Rifle Scopes Products:



(3) Supply Status of Main Materials

Types of Products	Main Raw Materials	Main Suppliers	Supply Status
Optical components & parts	Glass material	SCHOTT TAIWAN LTD. /Asia Optical International Ltd.	Various materials, stable in quality and source
	Aluminum extrusion alloys	Sohwa Optical Co., Ltd. / YUNG LUN Industrial	
	Semi-finished products	Asia Optical International Ltd.	A subsidiary company of the Company and stable in source supplies
CIS	Wafer	Japan suppliers	Good
	Printed circuit board	Taiwan suppliers	Good
	Housing	China and Hong Kong suppliers	Good
	Light source and lens	Japan and Taiwan suppliers	Good
	Aluminum extrusion alloys	Panwell Optical Machinery Co., Ltd. / ChangYong Co., Ltd. / KAJE Precision Industry Co., Ltd. / YUNG LUN Industrial	Frequently used materials in the markets, and stable in quality and source supplies
	Brass bearing	Accomplishment Stead Optics	

Optoelectronics products and parts		Industrial Co., Ltd. / Li-Hong Precision Co., Ltd.	
	Semi-finished products	Powerlink Electronic International (Cayman) Ltd.	A subsidiary company of the Company and stable in source supplies
	Waterproof rubber (Optical rubber)	Cheng Feng Rubber Co., Ltd. / Shung Jen Rubber Industrial Co., Ltd. / Yunglu Co., Ltd.	Normally used materials in the markets, and stable in quality and source supplies

(4) List of Major Customers in the Most Recent 2 Years

1. List of Major Customers

Item	2021				2022				2023 Q1			
	Name	Amount	As a percentage of net sales (%)	Relationship with issuer	Name	Amount	As a percentage of net sales (%)	Relationship with issuer	Name	Amount	As a percentage of net sales (%)	Relationship with issuer
1	A Company	1,961,376	9.35	None	A Company	1,600,519	8.39	None	None	None	None	None
	Others	19,015,431	90.65	-	Others	17,476,529	91.61	-	Others	3,835,897	100.00	-
	Net Sales	20,976,807	100.00		Net Sales	19,077,048	100.00		Net Sales	3,835,897	100.00	
1	None	None	None	None	None	None	-	None	None	None	-	None
	Others	14,657,654	100.00	-	Others	11,791,225	100.00	-	Other	2,660,590	100.00	-
	Net Sales	14,657,654	100.00	-	Net Sales	11,791,225	100.00	-	Net Sales	2,660,590	100.00	-

Note. List of customers who contributed to more than 10% of total sales amount in one of the most recent two years and the corresponding amounts and percentages

2. List of Major Customers

Unit: NT\$ thousands

Item	2021				2022				2023 Q1			
	Name	Amount	As a percentage of net sales (%)	Relationship with issuer	Name	Amount	As a percentage of net sales (%)	Relationship with issuer	Name	Amount	As a percentage of net sales (%)	Relationship with issuer
1	None	None	None	None	None	None	-	None	None	None	-	None
	Others	14,657,654	100.00		Others	11,791,225	100.00	-	Others	2,660,590	100.00	-
	Net Sales	14,657,654	100.00		Net Sales	11,791,225	100.00	-	Net Sales	2,660,590	100.00	-

Note. List of suppliers who contributed to more than 10% of total purchase amount in one of the most recent 2 years and the corresponding purchase amounts and percentages

(5) Production Volumes and Values Table for the Most Recent Two Years:

Unit: thousand pcs /NT\$ thousands

Year Production Volumes & Values Main Product (or departments)	2021			2022		
	Capacity (Note)	Volume	Value	Capacity (Note)	Volume	Value
Optical Components		141,958	9,426,680		115,737	8,307,190
CIS		38,956	3,340,826		33,960	3,449,931
Optoelectronics Products		744	1,702,948		388	1,178,344
Optical parts and accessories		14,853	1,494,188		14,817	1,439,809
Others		8,197	675,715		10,376	940,948
Total	400,474	204,708	16,640,357	400,474	175,278	15,316,222

Note. Due to the adjustment of production lines, the capacity is numbered as a whole.

(6) Sales Volumes and Values for the Most Two Years

Unit: thousand pcs /NT\$ thousands

Year Production Volumes & Values Main Product (or departments)	2021				2022			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical Components	5,566	156,499	136,401	11,466,909	3,569	184,888	112,168	10,082,129
CIS	682	112,567	36,569	3,936,222	314	36,375	33,646	4,175,950
Optoelectronics Products	0	0	744	2,298,056	0	0	388	1,448,173
Optical parts and accessories	0	0	14,853	1,920,087	0	0	14,817	1,910,528
Others	0	0	8,197	1,086,467	0	0	10,376	1,239,005
Total	6,248	269,066	196,764	20,707,741	3,883	221,263	171,395	18,855,785

3. Employee Information in the Most Recent Two years and as of the Printing Date of this Annual Report

Year		2021	2022	As of the date of April 30 th , 2023
Total number of employees	Direct labor	8,613	8,598	9,292
	Indirect labor	2,132	2,612	2,560
	R&D labor	144	185	195
	Total	10,889	11,395	12,047
Average age		28.70	31.37	32.98
Average years of service		4.05	5.98	6.11
Education of distribution ratio (%)	Mater & PhD	1.77%	1.76%	1.68%
	Bachelor's degree	14.81%	19.10%	18.96%
	High school & under	83.42%	79.14%	79.36%

4. Expenditure on Environmental Protection

(1) Any losses suffered by the company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None.

(2) Disclose an estimate of possible expenses that could be incurred currently and

in the future and measures being or to be taken. If a reasonable estimation cannot be made, provide the explanation: Not applied.

- (3) In response to the measures of Restriction of the Hazardous Substances Directive (RoHS): The Company has established the project affairs bureau to have control the implementation on products and parts on a regular basis to ensure our suppliers have fully understanding of “AOCI’s Green Products Strategies”. The project affairs bureau has held several activities and seminars, such as “Green Supplier Chain Seminar” and “Green Manufacturing Material Investigation”, which has helped to make sure the Company’s smooth developments on green products. Also, the Company has passed the certification of ISO 14001 by UL Empowering Trust.

5. Labor Relationships

- (1) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor agreements and measures for preserving employee rights and interests.

1. Benefits and implementation

The Company has established the Employee Welfare Committee in accordance with the "Employee Welfare Fund Act" to be responsible for allocating employee welfare funds and benefits in accordance with the Articles of Incorporation. The current primary employee welfare and benefit measures are as below.

- ① The Company has subscribed to labor insurance and health insurance in accordance with relevant laws and regulations and added group insurance to provide employees with various insurance payment privileges.
- ② The Company has implemented the Act of Gender Equality In Employment, and also revised related internal leave of absence policies.
- ③ Besides for using the employee welfare fund to pay for the annual year-end parties and banquets, the Company has also used the employee welfare fund to pay for various employees ball games.
- ④ The Company has provided all kinds of marriage & death subsidies, annual holiday bonuses, clubs and traveling allowances.
- ⑤ The Company has set up badminton courts, table tennis courts, and fitness equipment for employees, along with stress-relieving massage services.

2. Employee continuous education and training system

In order to improve the quality of human resource, maintain the competitiveness, and establish the foundation of sustainable operation, the Company extremely values the employee education and training. Each

department holds different education and training courses according to the employee training regulations, plans, and budgets. The Company employee education training system includes:

- ① External Expatriate Education & Training Courses: Courses provided by public institutions and training centers, or overseas studies to employees.
- ② Internal Education & Training Courses: New employment job training courses, special training courses by projects, functional job trainings, and management training courses.
- ③ On-the-job training courses.
- ④ Self-inspiration studies.
- ⑤ Implementation of employee education and training in 2022 :

Type of Courses	Participants	Hours(H)
Product quality courses	2,873	3,110.5
Labor safety courses	3,571	4,411.5
Laws & Regulations courses	351	250
Occupation professionals courses	756	895
CSR courses	4,159	4,313.5
Insider Trading	1,578	2,092.5
Others	13,288	15,073

3. Retirement scheme and the implementations

In order to provide better protections for employees' retirement lives, the Company's employees enjoy pension payment in accordance with labor insurance regulations. The Company has also established pension regulations in accordance with the Labor Standards Act and the Labor Pension. According to the regulations for the allocation and management of the Worker's Retirement Reserve Funds of IFRS No. 19 (Employment Benefits), the Company has sets aside a certain ratio of the employees' salaries as retirement reserve each month in accordance with applicable laws and deposit the funds into the employee's dedicated personal pension account in the Bank of Taiwan of the Bureau of Labor Insurance. Also, since July 1, 2005, the Company has adopted the implantation of the New Labor Pension System.

4. Labor-employer agreement and measures of employee rights and

interest maintenance

Since the establishment of the Company, all regulations and measures regarding to the labor-employer relations are handled and implemented in accordance with the relevant laws and regulations. The Company values the opinions and comments from the employees, and with the business philosophy of coexistence, common prosperity and clear management policies, the internal communication channels work smoothly and labor relations have been maintained in a good harmony. In addition, protective measures for working environment and personal safety are as followed.

- ① Occupational safety and health management: To make all regulations and standards announcements, and relevant various labor safety and management procedures regulated.
- ② Safety and health education and training: To implement general safety and health education and trainings to new employees and rotational shiftwork employees, and fire drill and trainings for the whole employees.
- ③ Safety and health checkups: To implement regular checkups for all the machinery and equipment.
- ④ Inspections of equipment and personal protection equipment: To set up the management standards of personal protection equipment, and to check and maintain personal protection equipment on a regular basis.
- ⑤ Insurance and medical care: To implement personnel health checkups, to establish the operating procedures and AED trainings.
- ⑥ Safety and health activities: To inspect the working environment regularly and post all kinds of posters and signs.

(2) Please state the loss that the Company encountered caused by labor dispute in the most recent year and until the printing date of the annual report and disclose current and future possible estimated amount and coping measures (including the inspection results violating the Labor Standards Act, specifying the execution date, no. of the execution case, laws and regulations of Labor Standard Acts against, the contents of violation, and the execution punishments): None

(3) Disclose an estimate of possible expenses that could be incurred currently and in the future and corresponding measures being or to be

taken: The Company has value all employee welfare and benefits all the time, adopted a people-oriented management, and kept harmonious relations between labor and management. Besides providing a comfortable and fine working environment, the Company particularly emphasizes the importance of two-way communication between employees and management. Therefore, the possibility of labor disputes or losses in the future is little.

6. Information Security Management

A. To explain the information security management framework, information security policies, specific management measures, and information security management resources input.

(1) Information Security Management Framework

The Company information management security responsible unit is the Information Technology Department, responsible for planning and executing the information security policies.

- To review and examine the information security management policies and related countermeasures regularly.
- To check and maintain the servers and relevant equipment for daily operations on a regular basis to find out the unusual incidents or abnormal operations.
- To promote the information security concepts and principles through conducting information security education and training courses to enhance the colleagues' knowledge and awareness of information security.

(2) Information Security Policies

To implement the information security management thoroughly, the Company regulated the internal audit control system and illustrate the information security management measures in detail for specific instructions and regulations for the employees to follow, and hopefully to reach the below goals.

- To ensure the confidentiality and completeness of the information assets.
- To ensure the limited information access rights to be defined in accordance with the responsibilities of different departments.
- To ensure the continuous operations of the Company's information systems.
- To prevent from altering or hacking access to the Company's data and information systems without official authorization.
- To audit the information security check-ups on a regular basis for ensuring the

implementations completely and thoroughly.

(3) Specific Management Measures

- The management and control of information security of internet networks.
- The management and control of access to the information of server systems.
- The mechanism of resilience and adaptability to changes.
- The information security dissemination and audit check.

(4) The implementation situation

- There is not any significant information security event to cause operation loss or damages currently to the Company.
- The Company Continues to implement the information security management policies to reach the goal, and also proceed to carry out the resilience recovery training regularly for protecting the vital systems and securing the information.

(B) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts pf why it cannot be made shall be provided: None.

7. Important contracts:

Nature of Contract	Principal	Contract Start / End Date	Main Contents	Restrictive Terms
Land lease contract	Taichung Tanzi Technology Industrial Parks	2019/01/01~2028/12/31	Leased land	Non-sublease
Loan agreements	CTBC Bank	2020/07/01~2022/06/30	Short-term general credit limit/ Escrow/ PSR Limit	None

VI. Financial Highlights

1. Condensed Balance Sheet and Statement of Comprehensive Income in The Most Recent 5 Years

(1) Condensed Balance Sheet

1. Condensed Balance Sheet – IFRS (Consolidated)

Unit: NT\$ thousands

Item \ Year		Financial Information in The Most 5 Years (Note 1)					Financial Information as of the date of March 31 st 2023 (Note 1)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Current Assets		16,719,184	15,856,291	16,343,407	18,911,472	16,799,993	16,895,298
Non-current Financial Assets at Fair Value through profit or Loss		148,073	208,706	187,577	205,845	166,996	180,304
Investments Accounted for Using Equity Method		35,044	37,031	41,180	42,856	46,741	46,954
Property, Plant, and Equipment		3,160,713	2,818,914	2,527,412	2,567,977	2,544,471	2,538,467
Intangible Assets		29,740	29,683	35,798	73,955	74,202	76,812
Other Assets		881,366	840,193	1,027,273	822,132	790,841	762,525
Total Assets		20,974,120	19,790,818	20,162,647	22,624,237	20,423,244	20,500,360
Current Liabilities	Before Distribution	4,889,453	3,977,812	4,907,520	6,380,520	5,384,953	6,261,940
	After Distribution	6,067,727	4,777,116	5,188,604	7,420,530	6,255,889	Note 2
Non-current Liabilities		202,465	240,995	295,658	351,665	340,373	339,213
Total Liabilities	Before Distribution	5,091,918	4,218,807	5,203,178	6,732,185	5,725,326	6,601,153
	After Distribution	6,270,192	5,018,111	5,484,262	7,772,195	6,255,889	Note 2
Equity Attributable to Owners of the Company		11,814,194	11,748,622	11,198,157	12,150,534	12,403,188	11,852,025
Share Capital		2,810,839	2,810,839	2,810,839	2,810,839	2,810,839	2,792,439
Capital Surplus		5,770,853	5,758,633	5,681,023	5,399,840	5,400,198	5,365,320

Retained Earnings	Before Distribution	3,351,996	3,644,890	3,530,946	5,019,178	4,577,854	4,011,233
	After Distribution	2,173,722	2,845,586	3,249,862	3,979,168	4,047,291	Note 2
Other Equity Interests		(119,494)	(465,740)	(824,651)	(1,079,323)	(276,073)	(316,967)
Treasury Stock		0	0	0	0	(109,630)	0
Total Equities attributable to Owners of Parent		11,814,194	11,748,622	11,198,157	12,150,534	12,403,188	11,852,025
Non-controlling Interest		4,068,008	3,823,389	3,761,312	3,741,518	2,294,730	2,047,182
Total Equity	Before Distribution	15,882,202	15,572,011	14,959,469	15,892,052	14,697,918	13,899,207
	After Distribution	14,703,928	14,772,707	14,678,385	14,852,042	1,467,355	Note 2

Note 1: The financial information between 2018- 2022 was audited by independent auditors. The first quarter of financial information in 2023 was reviewed by independent auditors.

Note 2: The dividends of 2023 will be approved upon the approval of 2024 Board of Directors' meeting resolution.

2. Condensed Balance Sheet (Unconsolidated)

Unit: NT\$ thousands

Item	Year	Financial Information for The Most Recent 5 Years				
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)
Current Assets		809,290	905,263	1,319,654	1,963,064	3,158,819
Non-current Financial Assets at Fair Value through profit or Loss		0	52,636	30,771	47,316	47,752
Investments Accounted for Using Equity Method		12,548,404	12,942,403	12,334,522	13,410,900	14,017,891
Property, Plant, and Equipment		633,652	498,005	491,947	663,472	691,776
Intangible Assets		4,241	4,856	12,591	53,207	53,989
Other Assets		13,751	157,681	397,332	232,770	194,848
Total Assets		14,009,338	14,560,844	14,586,817	16,370,729	18,165,075
Current Liabilities	Before Distribution	2,041,662	2,576,335	3,191,033	3,979,552	5,492,721

	After Distribution	2,688,155	3,138,503	3,472,117	5,019,562	6,023,284
Non-current Liabilities		153,482	235,887	197,627	240,643	269,166
Total Liabilities	Before Distribution	2,195,144	2,812,222	3,388,660	4,220,195	5,761,887
	After Distribution	2,841,637	3,374,390	3,669,744	5,260,205	6,292,450
Equity Attributed to Owners of Parent		11,814,194	11,748,622	11,198,157	12,150,534	12,403,188
Share Capital		2,810,839	2,810,839	2,810,839	2,810,839	2,810,839
Capital Surplus		5,770,853	5,758,633	5,681,023	5,399,840	5,400,198
Retained Earnings	Before Distribution	3,351,996	3,644,890	3,530,946	5,019,178	4,577,854
	After Distribution	2,705,503	3,082,722	3,249,862	3,979,168	4,047,291
Other Equity Interests		(119,494)	(465,740)	(824,651)	(1,079,323)	(276,073)
Treasury Stock		0	0	0	0	(109,630)
Total Equity	Before Distribution	11,814,194	11,748,622	11,198,157	12,150,534	12,403,188
	After Distribution	11,167,703	11,186,454	10,917,073	11,110,524	11,872,625

Note 1: The financial information between 2018-2022 was audited by independent auditors.

The first quarter of stand-alone financial information (IFRS) in 2023 was not yet available.

3. Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Year Item	Financial Information in The Most Recent 5 Years					Financial Information as of the date of March 31 st 2023 (Note 1)
	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Operating Revenue	19,082,734	18,117,631	15,760,061	20,976,807	19,077,048	3,835,897
Gross Profit	3,798,899	3,569,566	2,933,108	4,336,450	3,760,826	634,027
Profit From Operations	1,596,016	1,381,411	893,922	2,045,219	1,335,596	89,541

Non-operating Income and Expenses	271,581	271,145	(80,546)	42,252	381,901	54,839
Profit Before Income Tax	1,867,597	1,652,556	813,376	2,087,471	1,717,497	144,380
Net Profit (Loss)	1,492,503	1,348,324	608,006	1,873,629	1,345,627	82,968
Other Comprehensive Income for the Year, Net of Income Tax	254,386	(480,241)	(421,244)	(322,088)	960,652	(40,997)
Total Comprehensive Income for the Year	1,746,889	868,083	186,762	1,551,541	2,306,279	41,971
Net Income (Loss) Attributable to Owners of the Company	1,092,557	958,754	396,864	1,500,788	924,425	20,294
Net Income (Loss) Attributable to Non-controlling Interests	399,946	389,570	211,142	372,841	421,202	62,674
Total Comprehensive Income (Loss) Attributable to Owners of the Company	1,317,932	593,141	19,042	1,233,560	1,764,841	(20,600)
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	428,957	274,942	167,720	317,981	541,438	62,571
Earnings Per Share	3.89	3.41	1.41	5.34	3.29	0.07

Note 1: The financial information between 2018-2023 was audited by independent auditors. The first quarter of financial information in 2023 was reviewed by independent auditors.

4. Condensed Parent Company Only Statement of Comprehensive Income

Unit: NT\$ thousands

Year Item	Financial Information in The Most Recent 5 Years				
	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)
Operating Revenue	1,162,212	1,894,910	1,658,100	2,350,293	4,866,346
Gross Profit	174,332	406,402	395,289	510,443	1,153,231
Profit From Operations	(332,591)	(125,818)	(193,066)	(300,208)	253,442
Non-Operating Income and Expense	1,442,704	1,102,817	639,219	1,834,629	760,041

Profit Before Income Tax	1,110,113	976,999	446,153	1,534,421	1,013,483
Net Profit (Loss) For the Year	1,092,557	958,754	396,864	1,500,788	924,425
Other Comprehensive Income (Loss)	225,375	(365,613)	(377,822)	(267,228)	840,416
Total Comprehensive Income for the Year	1,317,932	593,141	19,042	1,233,560	1,764,841
Net Income (Loss) Attributable to Owners of the Company	1,092,557	958,754	396,864	1,500,788	924,425
Total Comprehensive Income (Loss) Attributable to Owners of the Company	1,317,932	593,141	19,042	1,233,560	1,764,841
Earnings Per Share (Basic)	3.89	3.41	1.41	5.34	3.29

Note1. The financial information between 2018-2022 was audited by independent auditors.

The first quarter of stand-alone financial information (IFRS) in 2023 was not yet available.

5. Independent Auditors' Opinions from 2017 to 2021

Year	CPA Firm	CPA (Note 1)	Audit Opinion
2018	Deloitte & Touche	Lie-Dong Wu & Shui-Ching Chiang	An Unqualified Opinion
2019	Deloitte & Touche	Lie-Dong Wu & Shui-Ching Chiang	An Unqualified Opinion
2020	Deloitte & Touche	Ting-Chien Su & Lie-Dong Wu	An Unqualified Opinion
2021	Deloitte & Touche	Lie-Dong Wu & Ting-Chien Su	An Unqualified Opinion
2022	Deloitte & Touche	Lie-Dong Wu & Ting-Chien Su	An Unqualified Opinion

Note 1: Independent auditors were changed due to internal adjustment of CPA firm.

2. Financial Analysis in The Most Recent 5 Years

1. Financial Analysis-IFRS (Consolidated)

Year Item		Financial Analysis in the Most Recent 5 Years					As of the date of March 31 st 2023	
		2018	2019	2020	2021	2022		
Capital Structure (%)	Debts Ratio	24.28	21.32	25.80	29.76	28.03	32.20	
	Long-term Funds to Property, Plant and Equipment Ratio	508.89	560.96	603.58	632.55	591.02	560.91	
Solvency (%)	Current Ratio (%)	341.94	398.62	333.02	296.39	311.98	269.81	
	Quick Ratio (%)	277.38	377.60	278.96	234.27	247.57	212.09	
	Times Interest Earned	4,096.61	774.31	449.39	1,611.70	538.22	391.22	
Operating Performance	Receivables Turnover Ratio (Times)	4.81	4.70	4.21	5.10	4.47	4.01	
	Average Collection Days	76	78	87	72	82	91	
	Average Inventory Turnover (Times)	5.07	5.21	4.93	4.93	4.04	3.24	
	Average Payables Turnover (Times)	5.51	5.97	5.10	5.35	5.19	4.34	
	Average Days of Sales	72	70	74	74	90	113	
	Property, Plant and Equipment Turnover Ratio (Times)	5.58	6.06	5.89	8.23	7.46	6.04	
	Total Assets Turnover Ratio (Times)	0.92	0.89	0.78	0.98	0.89	0.75	
Profitability	Return on Assets (%)	7.24	6.62	3.05	8.76	6.06	0.41	
	Return on Equity (%)	9.61	8.57	3.98	12.15	8.80	0.58	
	To Pay-in Capital (%)	Profit from Operation	56.78	49.15	31.80	72.76	47.52	3.21
		Profit Before Income Tax	66.44	58.79	28.93	74.27	61.10	5.17
	Net Profit Ratio (%)	7.82	7.44	3.85	8.93	7.05	2.16	
	Basic Earnings Per Share (\$)	3.89	3.41	1.41	5.34	3.29	0.07	
Cash Flow	Cash Flow Ratio (%)	50.73	48.80	44.46	24.98	42.69	(4.32)	
	Cash Flow Adequacy Ratio (%)	398.52	353.21	286.68	170.07	156.23	133.22	

	Cash Reinvestment Ratio (%)	7.78	5.12	6.46	5.02	4.93	(1.09)
Leverage	Operating Leverage	1.53	1.53	1.74	1.28	1.41	2.58
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The decrease of Times Interest Earned was mainly due to a notable reduction in Operating Revenue comparing to the previous year, and affecting from a slight decrease effect of economies of scale.
2. The increase in Average Days of Sales was due to the reduction in Operating Revenue comparing to the previous year.
3. The increase in Cash Flow was mainly due to a notable increase in Net Cash Generate by Operating Activities comparing to the previous year.

2. Financial Analysis-IFRS (Unconsolidated)

Year		Financial Analysis in the Most Recent 5 Years					As of the date of March 31 st 2023 (Not applied)	
		(Note 1)						
Item		2018	2019	2020	2021	2022		
Capital Structure (%)	Debts Ratio	15.67	19.31	23.23	25.78	31.72		
	Long-term Funds to Property, Plant and Equipment Ratio	1,888.68	2,406.50	2,316.47	1,867.63	1,831.86		
Solvency (%)	Current Ratio (%)	39.64	35.14	41.35	49.33	57.51		
	Quick Ratio (%)	34.67	31.22	37.51	44.51	51.37		
	Times Interest Earned	-	3,236.10	2,412.64	5,705.17	2,341.61		
Operating Ability	Receivable Turnover Ratio (Times)	4.23	7.00	6.16	7.01	7.43		
	Average Collection Days	86	52	59	52	49		
	Average Inventory Turnover (Times)	9.80	13.82	11.55	11.87	13.75		
	Average Payables Turnover Ratio (Times)	1.38	1.32	0.74	0.84	1.28		
	Average Days of Sales	37	26	32	31	27		
	Property, Plant and Equipment Turnover Ratio (Times)	1.83	3.35	3.35	4.07	7.18		
	Total Assets Turnover Ratio (Times)	0.09	0.13	0.11	0.15	0.28		
Profitability	Return on Total Assets (%)	8.19	6.71	2.72	9.70	5.36		
	Return on Equity (%)	9.59	8.14	3.46	12.86	7.53		
	To Pay-in Capital (%)	Profit from Operation	(11.83)	(4.48)	(6.87)	(10.68)	9.02	
		Profit Before Income Tax	39.49	34.76	15.87	54.59	36.06	
	Net Profit Ratio (%)	94.01	50.60	23.93	63.86	19.00		
	Basic Earnings Per Share (\$)	3.89	3.41	1.41	5.34	3.29		
Cash Flow	Cash Flow Ratio (%)	7.89	22.84	18.95	10.73	21.19		
	Cash Flow Adequacy Ratio (%)	44.63	35.01	64.11	67.33	82.08		
	Cash Reinvestment Ratio (%)	(2.36)	(0.48)	0.37	1.16	0.96		
Leverage	Operating Leverage	0.87	0.57	0.71	0.79	1.39		
	Financial Leverage	1.00	1.00	1.00	1.00	1.00		

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The increase of Debt Ratio was mainly because the orders from clients were transferred to be manufactured and processed domestically, which caused a notable increase in accounts payable and sales revenue received in advance from the rising procurement demands of raw material.
2. The decline in Times Interest Earned and in Profitability was mainly due to the decrease level of operation performances of the Company's reinvestments overseas affecting from the COVID-19 pandemic and global inflation.
3. The increases in Average Payables Turnover Ratio, Property, Plant and Equipment Turnover Ratio, and Total Asset Turnover Ratio were mainly because the orders from clients were transferred to be manufactured domestically, which caused the increase in sales along with the rising in Cost of goods sold.
4. The increases in Cash Flow Ratio and Cash Flow Adequacy Ratio were mainly due to a notable growth in Cash Flow from Operating Activities comparing to the previous year.
5. The increase in Operating Leverage was mainly due to the growth in Operating Revenue with injection performance in Operating Leverage.

Note 1. The financial information between 2018-2021 was audited by independent auditors.

The first quarter of stand-alone financial information (IFRS) in 2023 was not yet available.

Note 2. The formula is as follows:

(1) Financial Structure:

- ① Debt ratio = Total liability / Total assets.
- ② Ratio of long-term capital to property, plant and equipment = (Total equities + Non-current liability) / (Total Net value of property, plant and equipment).

(2) Solvency:

- ① Current ratio = Current assets / Current liability.
- ② Quick ratio = (Current assets – Inventories – Prepaid expenses) / Current liabilities.
- ③ Times interest earned = Net profit before income tax and interest / Interest expense

(3) Operating ability:

- ① Account receivable (including accounts receivable arising from operation notes receivable) turnover ratio = Net sales / Average accounts receivables (including accounts receivables arising from operation notes receivable) balances.
- ② Average Collection Days = 365 / Account receivables turnover.
- ③ Inventory Turnover Ratio = Cost of goods sold / Average amount of Inventory.

- ④ Payables (including accounts payable arising from operation notes payable)
Turnover Ratio = Cost of goods sold / Average accounts payable (including accounts payable arising from operation notes payable) balances.
- ⑤ Average days of sales = 365 / Inventory turnover.
- ⑥ Property, Plant and Equipment Turnover Ratio = Net sales / Average net of property, plant and equipment.
- ⑦ Total assets turnover = Net sales / Average total assets.

(4) Profitability:

- ① Return on assets = [Net income (loss) + Interest expense x (1- Tax rate)] / Average total assets.
- ② ROE= Net income (loss) / Net average equity.
- ③ Net Margin = Net income / Net Sales.
- ④ EPS = (Income belonging to owner of parent company – stock dividend of preferred stocks) / Weighted average number of issued shares. (Note 4)

(5) Cash flow:

- ① Cash flow ratio = Net cash flows from operating activities / Current liabilities.
- ② Net Cash flow adequacy ratio = Net cash flow from operating activities for the most recent 5 years / (Capital expenditures + Inventory increase + Cash dividend) for the most recent 5 years.
- ③ Cash Reinvestment Ratio = (Net cash flows from operating activities – cash dividend) / (Gross margin of property, plant and equipment + long-term investment + other non-current assets +working capital). (Note 5)

(6) Leverage:

- ① Degree of Operating Leverage = (Net operating revenues – Variable operating cost and expenses) / Operating Profit. (Note 6)
- ② Degree of Financial Leverage = Operating Profit / (Operating Profit – Interest expenses).

Note 3: Pay attention the following matters when using the formula above for calculating EPS:

- ① Based on the weighted average number of ordinary shares and not the number of outstanding shares at the end of the year.
- ② The period of shares from cash capital increase or treasury stock must be taken into consideration when calculating the weighted average number of shares.
- ③ When calculating EPS in previous years or half years after capital increase by earnings or capital surplus, adjustments must be made according to the ratio of capital increase and the duration does not need to be considered.
- ④ If preferred stock is non-convertible cumulative preferred stock, the dividends (regardless of whether it is distributed) shall be deducted from after-tax net income or added to after-tax net loss. If the preferred stock is non-cumulative and there is after-tax net income, dividends on preferred stock shall be deducted from after-tax net profit. In case of a loss, then no adjustment is necessary.

Note 4: Pay attention to the followings matters during cash flow analysis:

- ① Net cash flows from operating activities refers to the net cash flows from operating activities in the cash flow statement.
- ② Capital expenditure refers to the cash outflows from capital investments each year.
- ③ Inventory increase is only calculated when the amount at the end of the period is greater than the beginning of the period, and is calculated at zero if inventory decreases at the end of the year.
- ④ Cash dividends include cash dividends on ordinary shares and preferred shares.
- ⑤ Gross amount of property, plant, and equipment refers to the total amount of property, plant and equipment before cumulative depreciation is deducted.

Note 5: Issuers must divide operating costs and operating expenses into fixed and variable based on their properties. If it involves estimates or subjective judgment, make sure it is reasonable and consistent.

Note 6: The Company's shares are issued without face value or where the face value is not equal to NT\$10, the calculation of paid-in capital ratio is based on equity attributable to parent company shareholders on the balance sheets.

3. Audit Committee's Review Report on the most recent financial report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements and proposal for distribution of earnings. The financial statements were audited by CPA Lie-Dong Wu and CPA Ting-Chien Su of Deloitte & Touche, and has issued an audit report. The Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of ASIA OPTICAL CO., INC. According to relevant requirements of Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

We hereby propose for approval

To

2023 Annual General Shareholders' Meeting of ASIA OPTICAL CO., INC.

ASIA OPTICAL CO., INC.

Chairman of the Audit Committee:

Hui-Ming Lu

March 7, 2023

IV. Unconsolidated Financial Statements of the Most Recent Year Audited and Certified by the CPA: Please refer to page 141 to page 193 for details.

V. Consolidated Financial Statements of the Most Recent Year Audited and Certified by the CPA: Please refer to page 194 to page 259 for details.

VI. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report: None.

VII. Review and Analysis of Financial Conditions, Financial Performances, and Risk Management

1. Financial Condition Analysis

(1) Main Reasons and Impact of Any Material Change in Assets, Liabilities, and Shareholders' Equity during the Past Two Fiscal Years:

Unit: NT\$ thousands

Item	Year	2021	2022	Difference	
				Amount	%
Current Assets		18,911,472	16,799,993	(2,111,479)	(11.17)
Financial Assets at Fair Value through Profit or Loss-non-current		205,845	166,996	(38,849)	(18.87)
Investment Accounted for using the Equity method		42,856	46,741	3,885	9.07
Property, Plant and Equipment		2,567,977	2,544,471	(23,506)	(0.92)
Tangible Assets		73,955	74,202	247	0.33
Other Assets		822,132	790,841	(31,291)	(3.81)
Total Assets		22,624,237	20,423,244	(2,200,993)	(9.73)
Current Liabilities		6,380,520	5,384,953	(995,567)	(15.60)
Non-current Liabilities		351,665	340,373	(11,292)	(3.21)
Total Liabilities		6,732,185	5,725,326	(1,006,859)	(14.96)
Total Equity Attributable to Owners of the Company		12,150,534	12,403,188	252,654	2.08
Capital Stock		2,810,839	2,810,839	0	0.00
Capital Surplus		5,399,840	5,400,198	358	0.01
Retained Earnings		5,019,178	4,577,854	(441,324)	(8.79)
Other Equity		(1,079,323)	(276,073)	803,250	(74.42)
Treasury Stock		0	109,630	109,630	--
Non-Controlling Interests		3,741,518	2,294,730	(1,446,788)	(38.67)-
Total Equity		15,892,052	14,697,918	(1,194,134)	(7.51)

Explanations:

- Other Equity: The decrease in other equity was mainly due to appreciation in USD exchange rate for a notable rising in Exchange Difference on Translation of the Financial Statements of Foreign Operations.
- Treasury Stock: The increase in treasury stock was mainly due to the purpose of maintain the Company's credit and shareholders' rights and interests to do a buyback of the Company's common shares.

3. Non-Controlling Interests: The drop of Non-Controlling Interests was mainly due to the Company's privatization plan of Yorkey Optical International (Cayman) Ltd. by way of a Scheme of arrangement to acquire the shares of Yorkey Cayman in March, 2022.

(2) Future Plan: The changes do not have any significant impact to the Company.

2. Financial Performance Analysis

(1) Main Reasons of Any Material Change in Net Revenue, Operating Profits, or Income before Income Tax during the Past Two Fiscal Years:

Unit: NT\$ thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Sales	20,976,807	19,077,048	(1,899,759)	(9.06)
Gross Profit	4,336,450	3,760,826	(575,624)	(13.27)
Profit from Operation	2,045,219	1,335,596	(709,623)	(34.70)
Non-operating income and expenses	42,252	381,901	339,649	803.86
Profit Before Income Tax	2,087,417	1,717,497	(369,974)	(17.72)
Description of Material Change:				
1. Profit from Operation: The decrease in Profit from Operation was mainly due to a reduction in Sales comparing to the previous year, and a slight drop in economics of scale.				
2. Non-operating income and expenses: The increase in Non-operating income and expense was mainly due to (1) the affection of international exchange rates to cause a surge in foreign Exchange gain and (2) the increase in Interest income.				

(2) Sales Volume Forecast and Related Information:

Not applied. The Company did not disclose financial forecast for 2023.

(3) Response Plan for Future

Besides the four main product lines of optical components, CMOS image sensors (CIS), optoelectronic parts, and optoelectronic products, the Company has been continuously working on the cost control and pushing the internal management evolution forward along with reforming process flow to reinforce the Company's QCD performances. Furthermore, through the endless research and developments on the basis of the core optical technology combing optoelectronics, the Company has developed and released new products and techniques in succession, such as LiDAR TOF, to bring more revenues and boost business profits.

3. Cash Flow Analysis

(1) Analysis of Cash Flow Change during the Past Two Fiscal Years:

Unit: NT\$ thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Cash Inflows From Operating Activities	1,594,071	2,298,977	704,906	44.22
Cash Outflows From Investing Activities	(502,410)	(370,102)	132,308	(26.33)
Cash Outflows From Financing Activities	(638,008)	(3,520,347)	2,882,339	(451.77)
Analysis of Cash Flow:				
1. Cash Outflows From Operating Activities: An increase in cash outflows from operating activities was mainly due to the reduction in Sales along with a slight drop in economics of scale.				
2. Cash Outflows From Investing Activities: A decrease in cash outflows from investing activities was mainly due to the affecting from COVID-19 pandemic to cause a reduction of overseas investment activities.				
2. Cash Outflows From Financing Activities: An increase in cash outflows from financing activities was mainly due to the Company's privatization plan of Yorkey Optical International (Cayman) Ltd. by way of a Scheme of arrangement to acquire the shares of Yorkey Cayman, and the increase of cash dividends distribution comparing to the previous year.				

Beginning Cash Balance (12/31/2021)	Net cash inflow from operating activities for the entire year (2022)	Net cash outflow from investing activities and finance activities for the entire year (2022)	Effect of Exchange Rate Changes on Cash and Cash Equivalents	Cash Balance (12/31/2022)	Improvement Plans for Liquidity insufficient	
					Investment Plan	Financing Plan
10,187,063	2,298,977	(3,890,499)	583,521	9,179,112	None	

(2) Remedial Actions for Liquidity Shortfall: None.

(3) Cash Flow Projection Analysis for Next Year: Not applied.

4. The Impact and Major Capital Expenditure in Recent Years on Financial and Business:

(1) Major Capital Expenditures Items and the Source of Funds

Unit: NT\$ thousands

Item	Actual or Estimated Source of Funds	Actual or Estimated Completion Date	Total Required Amount	Actual or Estimated Implementations of Funds				
				2018	2019	2020	2021	2022
Acquisition of property, plant, and equipment	Working Capital	12/2018	404,798	404,798	0	0	0	0
Acquisition of property, plant, and equipment	Working Capital	12/2019	313,460	0	313,460	0	0	0
Acquisition of property, plant, and equipment	Working Capital	12/2020	262,497	0	0	262,497	0	0
Acquisition of property, plant, and equipment	Working Capital	12/2021	548,529	0	0	0	548,859	0
Acquisition of property, plant, and equipment	Working Capital	12/2022	326,565	0	0	0	0	326,565
Acquisition of shareholdings of subsidiary	Working Capital	03/2022	2,114,252	0	0	0	0	2,114,252

(2) Estimated and Possible Resulting Effects of Capital Utilization: The Company's capital expenditures were mainly for the needs on future continuous investments in order to maintain the Company's competitiveness and enhance the international collaboration of work, along with the vertical integration to intensify the cost competitiveness.

(3) Other Effects (such as product quality, protections for pollutions, reducing the cost, and so on): None.

5. Reinvestment Policy in the Most Recent Year, Main Reasons for Profit or Loss, Improvement Plan, and Investment Plan for the Coming Year:

Under the principle of vertical integration and international collaboration of work, the Company's reinvestment policy is mainly to move the labor-intensive assembly manufacturing process to overseas areas over the advantage of cost, for the enlargement of operation scales at lower cost; for domestic factories, the Company will focus on manufacturing high-end products and developing new products through pooling of resources to promote the technique levels and increase the added values.

With the strategy of international collaboration of work, the Company has been

making profits steadily in recent three years and also benefiting the shareholders with reasonable rate of return, which shows the reinvestment policy has been in an appropriate execution. In the future, the Company continues to take this advantage of international collaboration of work to maintain high competitiveness and play the leading role in the industry.

6. Risk Analysis and Assessment Should Be Conducted for the Following Items in the Most Recent Year and Up to the Printing Date of Report:

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

1. Interest rate changes in recent years

(1) The interest income for 2022 was NT\$ 89,981, 000, and only took 0.47 % of the total profit from operations, which did not cause any significant impact to the Company's operations.

(2) Response measures for interest rate changes

The Company will be able to use the repurchase agreement, purchase funds or fixed income securities to increase the efficiency of funds in compliance with the adjustments to all global central banks and Fed rate hike.

2. Exchange rate fluctuations

(1) The foreign exchange gain was NT\$180,635,000, and only took 0.95% of the total profit from operations, which did not cause any significant impact to the Company's operations.

(2) Response measures for exchange rate fluctuations

① In response to avoid the risks of exchange rate fluctuations, the strategies are mainly to use the foreign currency savings of L/C (USD, Japanese Yens, and Hong Kong Dollars) to pay for the purchases of material.

② In addition, regarding to the actual needs of funds and the exchange rate fluctuations, the Company stays up to date with the latest market (exchange rate) trends and takes the suggestions from the banks into consideration that can help to make instant adjustments to the foreign currency savings.

③ Quotations provided to customers use relatively conservative exchange rates, so that exchange rate fluctuations will have a lower effect on the profits.

In summary, through aforementioned response measures for exchange rate fluctuations will fully be able to lower the effects on the Company's sales and profits.

3. Inflation in recent years: The inflation hasn't had effects on the Company's operations.

(II) Policies of Engaging in High-risk, High-leverage Investments, Lending to Others, Providing Endorsement and Guarantee, and Derivatives Transactions, Profit/Loss Analysis, and Future Response Measures:

1. The Company has not engaged in any high risk, high leverage in investments.
2. For lending to others and endorsement / guarantee parties only subjects to subsidiaries in the Company's group for the needs of short-term financing, which must not violate the government authority laws and regulations nor exceed the Company internal regulations and limitations.
3. The strategy of Derivatives transactions is mainly for hedging against investment risks. Up to the printing date of report, the Company has not made any derivatives transactions.
4. In addition to compliance with the Company's current methods and regulations, the future response measures also has to choose superior financial derivatives cautiously from responsible sections to hedge against the risk of investments.

(III) Future R&D Projects and Estimated Expenses to be invested

Please refer to Cash Flow Analysis on page 121 for further details. Besides, in order to maintain high competitiveness and the market dominating position, the Company has spared no effort in the research and development innovation. In the past 2 years, the research and development expenses were over 4% in sales, and the Company expects that the percentage of future research and development expense will remain relatively the same as the past.

(IV) The Effect of Changes in Important Domestic and Foreign Policies and Laws on the Company's Financial Position and Business Operations, and Response Measures

As the new progress and the improvements of the laws and regulations made by different countries, all of the Company's business operations comply with local policies, laws, and regulations to propose prevention measures. Also, the Company evaluates the confronting risks, and actively takes actions to comply

with laws and regulations for the adoption of adjustments to the business operations and strategies.

(V) The Effect of Changes in Technologies and Industry on the Company's Financial Position and Business Operations, and Response Measures

The product life cycle of consumer electronics is short; however, the only way to prolong life is to put in endless efforts into research and development, and accumulate the power and strength for sustainability. Apart from concentration the high-end niche products and expanding the applications to other fields, the Company has been making efforts to the development of high resolutions video cameras for sports and other niche models. By applying its image processing techniques to extend to virtual reality (VR) and security surveillance fields, the Company explores new power of growth for operations. Meanwhile, under the support of the Company's core optical techniques and the optomechatronic integration, the new products, such as pico-projectors and laser rangefinders, create new opportunities for the market and also give a much-needed boost to the performance growth.

For network security assessment, the Company has established a complete set of internet and computer security protection system to monitor and maintain the normal operations of manufacturing and accounting systems. Even though internet attacks and hacks from the third party to the computer systems cannot be 100% assured of avoiding paralysis problems, the Company still reviews and evaluates its network security and procedures for assuring its adequacy and validity every year. In spite of doing so, it will not be able to ensure the Company is fully away from the new attacks or risks of the ever-changing network security threats. The Company's major manufacturing and production equipment is relatively less affected with the malicious attacks from the hackers though computer virus, disruptive software, or ransomware implant into the computer systems to interfere the Company's business operations. Furthermore, the Company is mostly in the industry of manufacturing by taking orders, OEM and ODM, which is fairly simple in its business and organization type. Therefore, the Company is affected in lesser degree by the network security problems. As of the printing date of the 2022 annual report, the Company did not have any significant network attacks or incidents.

(VI) Impact of Corporate Image Change on Risk Management and Response Measures: None.

(VII) Expected Benefits and Potential Risks of Merger and Acquisition: None.

(VIII) Expected Benefits and Potential Risks of Capacity Expansion: None.

(IX) Risks Associated with Over-concentration in Purchase or Sale and Response

Measures:

1. Sale: In 2022, there are some major clients that took over 9% in the Company's net profit from operations, and the main reasons are the diversity of the Company's products and the high flexibility of each product manufacturing adjustment. The two major clients placed orders for many optical products to the Company, so the risk of over-concentration on a single product was zero.
2. Purchase: The relationship between the Company and the suppliers in 2022 was quite stable, and the Company has closely worked with core suppliers to ensure that the needs of the clients can be satisfied. The Company at least has two suppliers of main raw material, thus, there was no over-concentration in purchases.

(X) Impact of Mass Transfer of Equity by or Change of Directors, Supervisors, or Shareholders Holding more than 10% interest on the Company, associated risks and response measures:

The shareholdings of the Company's directors, supervisors, and major shareholders are comparatively stable, and the shareholding dispersal is dispersed very even. Since all major shareholders and the business management team are confident in the Company's future, there is no risk of mass transferring of equity.

(XI) The Effect of Changes in Management Right on the Company, Risks, and Response Measures:

The management right has been stable since the incorporation of the Company, the estimation possibility of changes in management right is quite low. Fully authorization is highly valued by the Company, and every business unit is exclusively operated under one professional manager. Even the management right changes, it will not cause any impacts to the Company operation. Also, the Company's customers are mostly in long-term cooperation, they have built up good business relationships with the Company for years, and all have confidence with the Company's technologies, quality, and date of shipment. As a result, there will not be any impacts once the management right changes.

(XII) For Litigious and Non-litigious events:

- (1) If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during 2022 and as of the printing date of this annual report: None.
- (2) If the result of major litigious, non-litigious events, or administrative disputes, either concluded or ongoing, involving the company and its directors,

supervisors, president, de facto responsible person, major shareholders with more than 10% shares, or subsidiaries may have a material impact on shareholders' equity or stock prices, disclose the facts in contention, amount, start date of litigation, main parties involved, and progress up to the date of report: None.

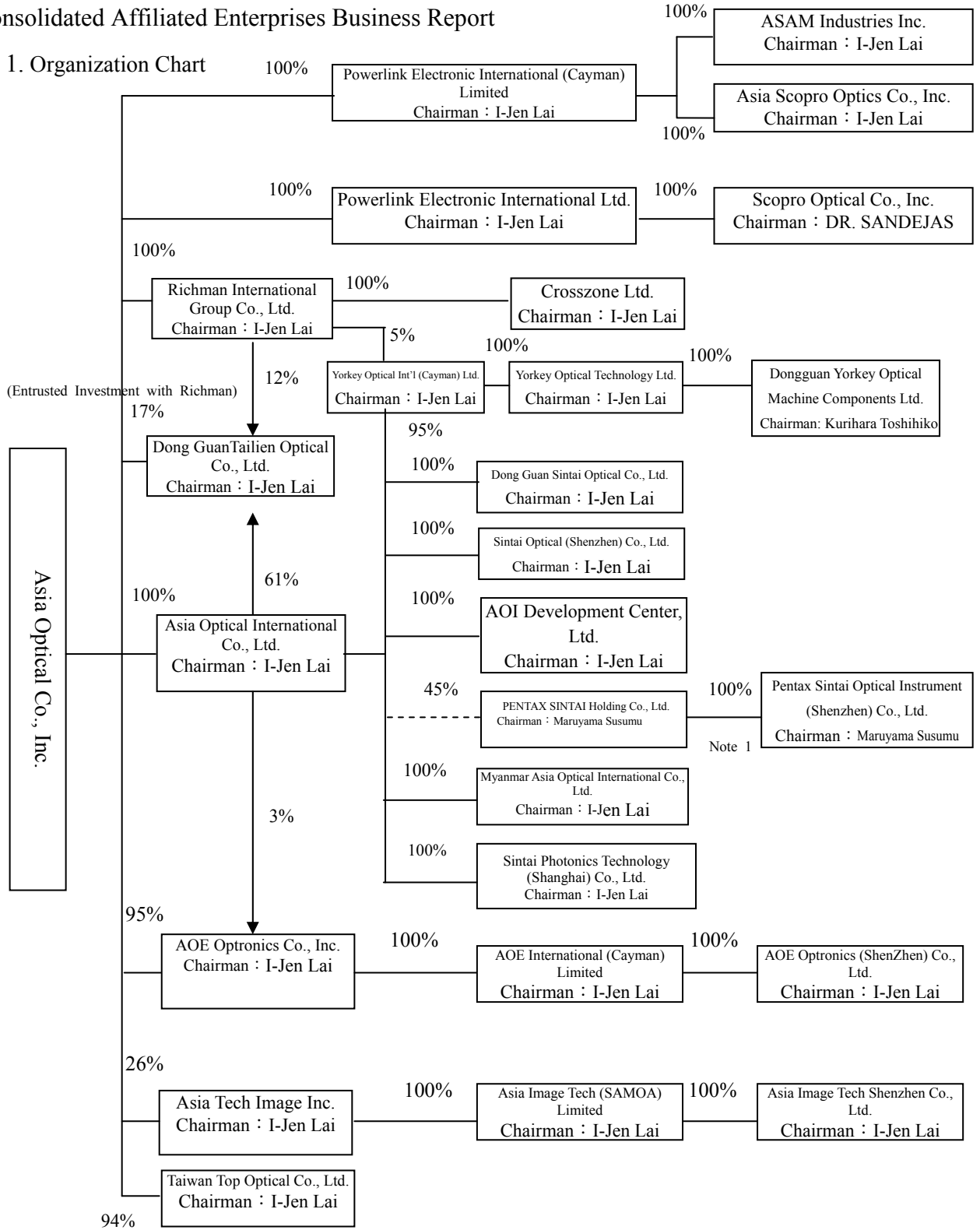
(XIII) Other Important Risks and Response Measures: None.

7. Other Important Matters: None.

VIII. Special Discourses

Information on affiliated enterprises

i. Consolidated Affiliated Enterprises Business Report



2. Basic Information on Affiliated Enterprises

Amount: NT\$ thousands

Name	Date of Establishment	Address	Paid-in Capital	Main Business or Products
Asia Optical International Ltd.	1995.07.07	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	US\$15,686	Sale, import and export of riflescopes, lenses and optical machinery and components
Powerlink Electronic International Ltd.	1995.09.28	P.O.Box 3151, Road Town, Tortola, British Virgin Islands	US\$50	Manufacture ,sale, OEM, import and export of riflescopes, binoculars , lenses and optical components
Dong Guan Sintai Optical Co., Ltd.	1992.06	Xiao Bian The Second Industry Zone, Chang'An Town, Dong Guan City	US\$16,600	Manufacture of lenses, microscopes, laser range finders, and optical components
Scopro Optical Co., Inc.	1989.03.22	Boncraft Bldg. Mayon cor. Pinatubo St. Mandaluyong City	PHP4,000	Sale, import and export of riflescopes, binoculars, lenses and optical components
Richman International Group Co., Ltd.	1998.09.23	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	US\$2,566	Holding company
Dong Guan Tailien Optical Co., Ltd.	1993.03	Room 201, Building # No.1, No. 11, Beiyuan Street, Chang'An Town, Dong Guan City	US\$3,160	Manufacturing and processing cameras and parts
Sintai Optical (Shen Zhen) Co., Ltd.	2002.08	Building NO. #1,2,4,5, Qi-wei Industrial Park, Li-Song-Lang Industrial Zone, Li-Song-Lang Community, Gong-Ming Office, Gong-Ming Ave., Guang Ming New District, Shenzhen City	US\$38,000	Manufacture of laser printers, cameras, scanners and plastic products
Taiwan Top Optical Co., Ltd.	1965.03	No. 34, Ln. 200, Zhuhe Rd., Changhua City, Changhua County 500041, Taiwan (R.O.C.)	NT\$88,100	Manufacture, sale, and import and export of cameras, copy machines, facsimile machines, video cameras, other multi-function printers, and components trading
Myanmar Asia Optical International Co., Ltd.	2003.03	Plot No. A-2, 3 Mingaladon Industrial Park, Mingaladon Township, Yangon, Myanmar	US\$19,437	Manufacture of lenses and related products
Sintai Photonics Technology (Shanghai) Co., Ltd.	2004.07.06	No. 946, Hui Fu Rd., Wai Gan Town, Jia Ding Area, Shanghai City.	US\$34,000	Manufacture and sale of parts pf DV and DSC
Asia Tech Image Inc.	2004.1.20	#1-3, 2F., No.880, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	NT\$725,001	Sale of precision instruments and image sensors
Asia Image Tech (Samoa) Limited	2004.2.6	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$18,662	Sale of precision instruments and image sensors
Asia Image Tech Shenzhen Co., Ltd.	2004.4.16	A zone, 2F. &3 F., Building # No. 3, Qi-wei Industrial Park, Li-Song Lang Industrial Zone, Li-Song-Lang Community, Gong-Ming Office, Gong-Ming Ave., Guang-Ming New District, Shenzhen City	US\$10,000	Manufacture and sale of image sensors

Name	Date of Establishment	Address	Paid-in Capital	Main Business or Products
AOE Optronics Co., Inc.	2011.8.18	No. 93, Fengli Road, Tanzi District, Taichung City, Taiwan (R.O.C.)	NTD\$199,714	Design, manufacture and sale of cell phone related products
AOE International (Cayman) Limited	2011.9.30	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	US\$44,176	Holding company
AOE Optronics (Shen Zhen) Co., Ltd.	2011.12.7	1F. Building # No. 1 & 1F. & 3F. Building # No. 2 & 1F~3F Building # No. 4, Qi-wei Industrial Park, Li-Song-Lang Industrial Zone, Li-Song-Lang Community, Gong-Ming Ave., Guang-Ming District, Shenzhen City	US\$ 12,000	Design and manufacture of cell phone related products
Powerlink Electronic International (Cayman) Limited	2012. 6.6	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	US\$1,500	Holding company
Asia Scopro Optics Co., Inc.	2012.10.16	Unit 2, 114 Integrity Avenue Cor. Enterprise Drive, Carmelray, Industrial Park, Canlubang, Calamba, Laguna	PHP24,100	Manufacture and trade of riflescopes, lenses and optical components
ASAM Industries Inc.	2013.8.5	Unit 2, 114 Integrity Ave. Cor. Enterprise Drive, Carmelray, Industrial Park 1, Sitio Canlubang, Calamba City.	PHP15,000	Anode processing factory
Yorkey Optical International (Cayman) Ltd.	2004.10.13	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands	US\$1,054	Holding company
Yorkey Optical Technology Limited	2005.4.12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$550	Trading company
Dongguan Yorkey Optical Machine Components Ltd.	1995.12.11	Xiao Bian The Second Industry Zone, Chang' An Town, Dong Guan City	US\$20,680	Manufacture plastic and precision metallic parts of mini motors, molds and cases of optical and optronics products
AOI Development Center Ltd.	2014.12.01	1-7-39 · Kamo-cho, Okaya-city, Nagano PREF. 394-0003 Japan.	JPY90,000	Development and technology service
Crosszone Ltd.	2016.06.02	Jipfa Building, 3 rd Floor, Main Street, Road Town, Tortola, British Virgin Islands	US\$50	Trading company

Note 1. PENTAX SINTAI HOLDING Co., Ltd. and Pentax Sintax Optical instrument (Shenzhen) Co., Ltd. were both closed and dissolved by the resolution of December, 2021 board meeting.

3. The information of identical shareholders presumed to have control and subsidiary relationship: None.

4. Industries covered by the operations of all affiliates:

(1) The scope of business in the whole affiliates of the Company:

Please refer to (i) Consolidated Affiliated Enterprises Business Report and 2. Basic Information on Affiliated Enterprises for details.

(2) The collaboration of business operations between affiliated enterprises

- ① Asia Optical International Ltd. / Dong Guan Sintai Optical Co., Ltd. / Sintai Optical (Shenzhen) Co., Ltd.

With the benefit of lower labor costs in Mainland China, the Company has developed diversified optical components and equipment businesses by establishing Dong Guan Sintai Optical Co., Ltd. and Sintai Optical (Shenzhen) Co., Ltd. to reduce the manufacturing costs and other factors. Both companies are mainly taking the orders from Asia Optical International Ltd. for designing and manufacturing of lenses, optical parts, components, and other related products.

- ② Powerlink Electronic International Ltd./ Scopro Optical Co., Inc./ Powerlink Electronic International (Cayman) Limited / ASIA Scopro Co., Inc. / ASAM Industries Inc.

Based on the considerations of preferential tariff and the marketing strategies, the Company has established Scopro Optical Co., Inc., ASIA Scopro Co., Inc., and ASAM Industries Inc. to take the entrusted orders from Powerlink Electronic International (Cayman) Limited and Powerlink Electronic International Ltd. for developing, designing, manufacturing, and processing of rifle scopes components and parts mainly.

- ③ Richman International Group Co., Ltd. / Dong Guan Tailien Optical Co., Ltd.

In consideration of the collaborations with the international major enterprises to acquire the related techniques and business opportunities, along with the lower labor costs in Mainland China, Dong Guan Tailien Optical Co., Ltd. takes entrusted orders from Richman International Group Co., Ltd. to step into the manufacturing industry of digital still cameras, fiber-optic communications, car lenses, and other related components and accessories.

- ④ Asia Optical International Ltd. / Myanmar Asia Optical International Co.,

Ltd.

Myanmar Asia Optical International Co., Ltd. is mainly taking orders from Asia Optical International Ltd. for manufacturing lenses and other products.

- ⑤ Asia Tech Image Inc. / Asia Image Tech (Samoa) Limited / Asia Tech Image Shenzhen Co., Ltd.

Asia Tech Image Inc. is mainly responsible for sale and developing of contact image sensors and all the products are made and manufactured by Asia Tech Image Shenzhen Co., Ltd.

- ⑥ AOE Optronics Co., Inc. / AOE International (Cayman) Limited / AOE Optronics (ShenZhen) Co., Ltd.

AOE Optronics Co., Inc. is mainly responsible for designing, manufacturing, and sale of consumer electronics products and all the products are made and manufactured by AOE Optronics (ShenZhen) Co., Ltd.

- ⑦ Yorkey Optical International (Cayman) Ltd. / Yorkey Optical Technology Limited / Dongguan Yorkey Optical Machine Components Ltd.

Yorkey Optical International (Cayman) Ltd. and Yorkey Optical Technology Limited are mainly responsible for taking orders and product sales, and all the products are made and manufactured by Dongguan Yorkey Optical Machine Components Ltd.

5. Profile of directors, supervisors, and the president of affiliated enterprises:

December 31st, 2022

Name of Enterprise	Title	Name or Representative	Shares held	
			Shares (capital contribution amount) (thousands)	Shareholding Ratio
Dong Guan Tailien Optical Co., Ltd. (China)	Chairman	I-Jen Lai	— AOIL: USD1,928 thousands Richman: USD904 thousands	— 61% 29%
Richman International Group Co., Ltd.	Chairman	I-Jen Lai	— AOI holds 2,566 thousand shares	— 100%
Powerlink Electronic International Ltd.	Chairman	I-Jen Lai	— AOI holds 50 thousand shares	— 100%
Scopro Optical Co., Inc.	Chairman	DR.SANDEJAS	— Powerlink holds 4,000 thousand shares	— 100%
Asia Optical International Ltd.	Director Director	I-Jen Lai Asano Yuzo	— — AOI holds 15,686 thousand shares	— — 100%

Dong Guan Sintai Optical Co., Ltd.	Chairman General Manager	I-Jen Lai Asano Yuzo	— — AOIL: USD16,600 thousands	— — 100%
Sintai Optical (Shenzhen) Co., Ltd.	Chairman	I-Jen Lai	— AOIL: USD38,000 thousands	— 100%
Taiwan Top Optical Co., Ltd.	Chairman Director Director Supervisor	I-Jen Lai Shu-Ping Wu Chun-Hao Lai Asano Yuzo	— — — — AOCI holds 8,248 thousand shares	— — — — 94%
Myanmar Asia Optical International Co., Ltd.	Chairman	I-Jen Lai	— AOIL: USD19,437thousands	— 100%
Sintai Photonics Technology (Shanghai) Co., Ltd.	Chairman	I-Jen Lai	— AOIL: USD34,000 thousands	— 100%
Asia Tech Image Inc.	Chairman Director Director Independent Director Independent Director Independent Director	I-Jen Lai Shu-Ping Wu Sen-Chuan Wu Wu-Nan Chen Chih-Sheng Chang Jui-Chang Hsu	— — — — — — — AOCI holds 19,028 thousand shares	— — — — — — — 26%
Asia Tech Image (Samoa) Limited	Chairman	I-Jen Lai	— ATII: USD18,662 thousands	— 100%
Asia Image Tech Shenzhen Co., Ltd.	Chairman	I-Jen Lai	— Asia Tech Image (Samoa) Ltd.: USD10,000 thousands	— 100%
AOE Optronics Co., Inc.	Chairman Director Director Supervisor	I-Jen Lai Tai-Lang Lin Shu-Ping Wu Chun-Hao Lai	— — — — — — AOCI holds 19,066 thousand shares AOIL holds 507 thousand shares	— — — — — — 95% 3%
AOE International (Cayman) Limited	Chairman	I-Jen Lai	— AOE Optronics Co., Inc.: USD44,176 thousands	— 100%
AOE Optronics (ShenZhen) Co., Ltd.	Chairman	I-Jen Lai	— AOE(CAYMAN): USD12,000 thousands	— 100%
Powerlink Electronic (Cayman)	Chairman	I-Jen Lai	— AOCI:USD1,500 thousands	— 100%
Asia Scopro Optics Co., Inc.	Chairman	I-Jen Lai	— POWERLINK(CAYMAN) holds 241 thousand shares	— 100%
ASAM Industries Inc.	Chairman	I-Jen Lai	— POWERLINK(CAYMAN) holds 150 thousand shares	— 100%
Yorkey Optical International (Cayman) Ltd.	Chairman Director Director	I-Jen Lai Kurihara Toshihiko Shu-Ping Wu	— — — — — — AOIL holds 776,346 thousand shares RICHMAN holds 40,000 thousand shares	— — — — — — 95% 5%

Yorkey Optical Technology Limited	Chairman	I-Jen Lai	— YORKEY(CAYMAN): USD550 thousands	— 100%
Dongguan Yorkey Optical Machine Components Ltd.	Chairman	Kurihara Toshihiko	— YORKEY Technology:USD20,680 thousands	— 100%
AOI Development Center, Ltd.	Chairman	I-Jen Lai	— AOIL holds 100 shares	— 100%
Crosszone Ltd.	Chairman	I-Jen Lai	— RICHMAN holds 50 thousand shares	— 100%

6. Business Overview of Affiliated Enterprises:

Unit : NTD thousands

Name of Company	Capital/Invested Amount	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profits	Profit or loss for the current period	EPS(NTD)
AOIL	526,285	15,977,981	4,498,229	11,479,752	3,802,440	373,265	471,124	—
POWERLINK	1,367	9,511	86,907	(77,396)	0	(2,301)	(39,998)	—
Dong Guan Sintai Optical Co., Ltd.	543,171	557,091	96,407	460,684	691,895	(47,015)	4,830	—
SCOPRO	3,400	215,587	302,495	(86,908)	309,255	(16,475)	(37,718)	—
RICHMAN	99,649	123,167	0	123,167	0	(116)	11,186	—
Crosszone	1,568	1,845	4,824	(2,979)	1,301	(248)	(427)	—
Dong Guan Tailien Optical Co., Ltd.	99,396	514,305	317,714	196,591	666,284	42,964	21,197	—
Sintai Optical (Shenzhen) Co., Ltd.	1,270,274	3,845,644	789,354	3,056,290	41,134,101	26,200	115,955	—
Taiwan Top Optical Co., Ltd.	88,100	224,956	73,575	151,381	76,204	(5,377)	30	—
Myanmar Asia Optical International Co., Ltd.	634,082	918,102	2,514,615	(1,596,513)	410,312	(214,823)	(163,486)	—
Sintai Photonics Technology (Shanghai) Co., Ltd.	1,098,606	270,124	184,905	85,219	24,966	(12,399)	(12,385)	—

Name of Company	Capital/Invested Amount	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profits	Profit or loss for the current period	EPS(NTD)
Asia Tech Image Inc.	725,001	5,204,356	2,151,496	3,052,860	3,962,945	363,398	578,726	7.98
Asia Image Tech (Samoa) Limited	845,520	4,464,340	1,776,161	2,688,179	3,417,362	37,182	172,191	—
Asia Image Tech Shenzhen Co., Ltd.	324,300	1,846,745	121,657	1,725,088	2,486,809	124,922	164,804	—
AOE Optronics Co., Inc.	199,714	810,327	146,514	663,813	369,228	(68,449)	109,691	—
AOE CAYMAN	1,311,447	1,183,421	605,106	578,315	523,214	(294)	167,517	—
AOE optronics (Shenzhen) Co., Ltd.	360,186	1,013,875	1,400,003	(386,128)	1,961,232	199,271	167,647	—
POWERLINK CAYMAN	44,392	1,168,265	378,910	789,355	2,100,137	29,329	37,518	—
ASAM Industries Inc.	9,690	62,583	18,089	44,494	45,110	(6,088)	(6,080)	—
Asia Scopro Optics Co., Inc.	17,043	183,179	225,502	(42,323)	342,814	(9,901)	(16,210)	—
Yorkey (Cayman)	31,663	435,013	8,756	426,257	0	(14,590)	(12,412)	—
YORKEY Optical Technology Ltd.	16,393	1,854,777	1,539,366	315,411	1,659,057	7,427	12,698	—
Dongguan Yorkey Optical Machine Components Ltd.	658,673	2,113,414	577,993	1,535,421	1,900,958	99,836	189,784	—
AOIDC	22,071	60,182	30,747	29,435	92,693	(157)	293	—

ii. Consolidated financial statements of affiliated enterprises:

Please refer to Asia Optical Co., Inc. and Subsidiaries Consolidated Financial Statements for the Years Ended December 31, 2022, and 2021 and Independent Auditors Report.

iii. Affiliation Report: Not applied.

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF
AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements “. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do no prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,
Asia Optical Co., Inc.
By:

I-Jen Lai
Chairman

March 7, 2023

2. Private Placement Securities in the Latest Year and Until the Printing Date of the Annual Report: None.
3. The Shares in the Company held or Disposed of by Subsidiaries in the Latest Annual Year and Until the Printing Date of the Annual Report: None.
4. Matters That Have Significantly Affected Shareholder's Equity and Prices of Securities Pursuant to Item 3, Subparagraph 2, Article 36 of Securities Exchange Law in the Most Recent Years: None.
5. Other Necessary Supplementary Matters: None.

IX. Appendix

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Asia Optical Co., Inc.

Opinion

We have audited the accompanying financial statements of Asia Optical Co., Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2022 is as follows:

Sales Recognition

The Company's sales are primarily generated by the optical component segment. The overall sales revenue of the Company increased compared to the prior year, and the sales to particular customers have increased substantially. Therefore, we identified the recognition of sales from these particular customers as a key audit matter, refer to Notes 4 and 19.

We obtained an understanding and tested the internal controls of the Company in relation to recognition of sales. We also performed the following audit procedures:

1. We selected sample transactions from sales and tested the operating effectiveness of relevant key controls.
2. We selected the samples of sales from particular customers with significant sales growth and checked them against purchase orders and related documents such as shipping documents and revenue records.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 7, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

ASIA OPTICAL CO., INC.

BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,911,151	10	\$ 1,347,304	8
Notes receivable from unrelated parties (Notes 4 and 19)	156	-	567	-
Trade receivables from unrelated parties (Notes 4, 8 and 19)	793,279	4	340,905	2
Trade receivables from related parties (Notes 4, 19 and 27)	101,268	1	58,907	1
Inventories (Notes 4, 5 and 9)	327,006	2	185,517	1
Other financial assets - current (Notes 4 and 27)	8,053	-	14,779	-
Other current assets (Note 27)	17,906	-	15,085	-
Total current assets	<u>3,158,819</u>	<u>17</u>	<u>1,963,064</u>	<u>12</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	47,752	-	47,316	-
Investments accounted for using the equity method (Notes 4 and 10)	14,017,891	77	13,410,900	82
Property, plant and equipment (Notes 4 and 11)	691,776	4	663,472	4
Right-of-use assets (Notes 4 and 12)	16,728	-	26,679	-
Investment properties (Notes 4 and 13)	116,021	1	119,499	1
Other intangible assets (Notes 4 and 14)	53,989	1	53,207	1
Deferred tax assets (Notes 4 and 21)	31,843	-	2,563	-
Prepayments for equipment	24,480	-	36,528	-
Refundable deposits	5,776	-	6,009	-
Other financial assets - non-current (Notes 4 and 15)	-	-	41,492	-
Total non-current assets	<u>15,006,256</u>	<u>83</u>	<u>14,407,665</u>	<u>88</u>
TOTAL	<u>\$ 18,165,075</u>	<u>100</u>	<u>\$ 16,370,729</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4, 19 and 27)	\$ 707,893	4	\$ 419,728	3
Notes payable	110	-	298	-
Trade payables to unrelated parties	391,880	2	68,884	-
Trade payables to related parties (Note 27)	3,063,118	17	2,273,200	14
Other payables to unrelated parties (Note 16)	593,206	3	576,661	3
Other payables to related parties (Note 27)	626,560	3	617,151	4
Current tax liabilities (Notes 4 and 21)	99,146	1	11,530	-
Lease liabilities - current (Notes 4 and 12)	8,685	-	10,243	-
Other current liabilities	2,123	-	1,857	-
Total current liabilities	<u>5,492,721</u>	<u>30</u>	<u>3,979,552</u>	<u>24</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	67,171	-	52,129	1
Lease liabilities - non-current (Notes 4 and 12)	7,644	-	15,942	-
Net defined benefit liabilities (Notes 4 and 17)	116,955	1	132,247	1
Investment accounted for using the equity method - credit (Notes 4 and 10)	77,396	1	40,325	-
Total non-current liabilities	<u>269,166</u>	<u>2</u>	<u>240,643</u>	<u>2</u>
Total liabilities	<u>5,761,887</u>	<u>32</u>	<u>4,220,195</u>	<u>26</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,810,839	15	2,810,839	17
Capital surplus	5,400,198	30	5,399,840	33
Retained earnings				
Legal reserve	2,040,613	11	1,891,790	12
Special reserve	1,085,120	6	830,448	5
Unappropriated earnings	1,452,121	8	2,296,940	14
Other equity	(276,073)	(1)	(1,079,323)	(7)
Treasury shares	(109,630)	(1)	-	-
Total equity	<u>12,403,188</u>	<u>68</u>	<u>12,150,534</u>	<u>74</u>
TOTAL	<u>\$ 18,165,075</u>	<u>100</u>	<u>\$ 16,370,729</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

ASIA OPTICAL CO., INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 19 and 27)	\$ 4,866,346	100	\$ 2,350,293	100
COST OF GOODS SOLD (Notes 9, 17, 20 and 27)	<u>3,713,115</u>	<u>76</u>	<u>1,839,850</u>	<u>78</u>
GROSS PROFIT	<u>1,153,231</u>	<u>24</u>	<u>510,443</u>	<u>22</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling and marketing expenses	33,298	1	29,332	2
General and administrative expenses	351,797	7	282,793	12
Research and development expenses	509,082	11	496,742	21
Expected credit loss (Notes 4 and 8)	<u>5,612</u>	<u>-</u>	<u>1,784</u>	<u>-</u>
Total operating expenses	<u>899,789</u>	<u>19</u>	<u>810,651</u>	<u>35</u>
INCOME (LOSS) FROM OPERATIONS	<u>253,442</u>	<u>5</u>	<u>(300,208)</u>	<u>(13)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 12)	(433)	-	(269)	-
Share of profit of subsidiaries (Notes 4 and 10)	739,939	15	1,704,741	73
Interest income (Note 4)	10,352	-	2,922	-
Rental income (Note 27)	8,955	-	9,146	-
Other income (Notes 4 and 27)	71,109	2	67,807	3
Foreign exchange gain (loss), net (Note 4)	(70,266)	(1)	31,222	1
Net gain on fair value change of financial assets mandatorily classified at FVTPL (Note 4)	436	-	19,062	1
Other expenses	<u>(51)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Total non-operating income and expenses	<u>760,041</u>	<u>16</u>	<u>1,834,629</u>	<u>78</u>
PROFIT BEFORE INCOME TAX	1,013,483	21	1,534,421	65
INCOME TAX EXPENSE (Notes 4 and 21)	<u>89,058</u>	<u>2</u>	<u>33,633</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>924,425</u>	<u>19</u>	<u>1,500,788</u>	<u>64</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	28,273	1	(14,774)	(1)

(Continued)

ASIA OPTICAL CO., INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries accounted for using the equity method	<u>8,893</u>	<u>-</u>	<u>\$ 2,218</u>	<u>-</u>
	<u>37,166</u>	<u>1</u>	<u>(12,556)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>803,250</u>	<u>16</u>	<u>(254,672)</u>	<u>(11)</u>
Other comprehensive income (loss) for the year	<u>840,416</u>	<u>17</u>	<u>(267,228)</u>	<u>(12)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>\$ 1,764,841</u></u>	<u><u>36</u></u>	<u><u>\$ 1,233,560</u></u>	<u><u>52</u></u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.29</u>		<u>\$ 5.34</u>	
Diluted	<u>\$ 3.24</u>		<u>\$ 5.28</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

ASIA OPTICAL CO., INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 18)	Capital Surplus (Notes 4 and 18)	Retained Earnings (Notes 4, 18 and 21)			Other Equity (Note 4) Exchange Differences on Translating of The Financial Statements of Foreign Operations	Treasury shares (Note 18)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 2,810,839	\$ 5,681,023	\$ 1,853,995	\$ 471,537	\$ 1,205,414	\$ (824,651)	\$ -	\$ 11,198,157
Appropriation of 2020 earnings								
Legal reserve	-	-	37,795	-	(37,795)	-	-	-
Special reserve	-	-	-	358,911	(358,911)	-	-	-
Issuance of share dividends from capital surplus, NT\$1.00 per share	-	(281,084)	-	-	-	-	-	(281,084)
Net profit for the year ended December 31, 2021	-	-	-	-	1,500,788	-	-	1,500,788
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(12,556)	(254,672)	-	(267,228)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,488,232	(254,672)	-	1,233,560
Change in ownership interests in subsidiaries	-	(99)	-	-	-	-	-	(99)
BALANCE AT DECEMBER 31, 2021	2,810,839	5,399,840	1,891,790	830,448	2,296,940	(1,079,323)	-	12,150,534
Appropriation of 2021 earnings								
Legal reserve	-	-	148,823	-	(148,823)	-	-	-
Special reserve	-	-	-	254,672	(254,672)	-	-	-
Cash dividends, NT\$3.70 per share	-	-	-	-	(1,040,010)	-	-	(1,040,010)
Net profit for the year ended December 31, 2022	-	-	-	-	924,425	-	-	924,425
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	37,166	803,250	-	840,416
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	961,591	803,250	-	1,764,841
Buy-back of treasury shares	-	-	-	-	-	-	(109,630)	(109,630)
Actual acquisition of partial interests in subsidiaries	-	-	-	-	(362,905)	-	-	(362,905)
Change in ownership interests in subsidiaries	-	358	-	-	-	-	-	358
BALANCE AT DECEMBER 31, 2022	\$ 2,810,839	\$ 5,400,198	\$ 2,040,613	\$ 1,085,120	\$ 1,452,121	\$ (276,073)	\$ (109,630)	\$ 12,403,188

The accompanying notes are an integral part of the financial statements.

ASIA OPTICAL CO., INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,013,483	\$ 1,534,421
Adjustments for:		
Depreciation expense	78,834	50,799
Amortization expense	19,248	11,524
Expected credit loss	5,612	1,784
Net gain on fair value change of financial assets mandatorily classified at fair value through profit or loss	(436)	(19,062)
Finance costs	433	269
Interest income	(10,352)	(2,922)
Dividend income	(232)	-
Share of profit of subsidiaries	(739,939)	(1,704,741)
Impairment loss on non-financial assets	2,043	778
Net loss (gain) on foreign currency exchange	125,052	(117,457)
Net changes in operating assets and liabilities:		
Notes receivable	411	(201)
Trade receivables	(496,620)	(141,013)
Inventories	(143,532)	(86,739)
Other current assets	(2,821)	11,935
Other financial assets	6,726	(4,365)
Contract liabilities	288,165	244,330
Notes payable	(188)	(2,398)
Trade payables	991,750	439,190
Other payables	18,759	221,449
Other current liabilities	266	211
Net defined benefit liabilities	12,981	(9,715)
Cash generated from operations	1,169,643	428,077
Interest received	10,352	2,922
Interest paid	(433)	(269)
Income tax paid	(15,680)	(3,812)
Net cash generated from operating activities	<u>1,163,882</u>	<u>426,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(6,959)
Proceeds from sale of financial assets at fair value through profit or loss	-	9,476
Acquisitions of equity interest in subsidiary	(25,324)	(133,172)
Proceeds from the capital reduction on investments accounted for using the equity method	72,775	-
Payments for property, plant and equipment	(73,840)	(206,830)
Decrease (increase) in refundable deposits	233	(485)
Payments for intangible assets	(20,030)	(52,140)
Decrease (increase) in other financial assets	41,492	198,451
Increase in prepayments for equipment	(7,663)	(38,026)

(Continued)

ASIA OPTICAL CO., INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Dividends received	<u>572,396</u>	<u>519,505</u>
Net cash generated from investing activities	<u>560,039</u>	<u>\$ 289,820</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for buy-back of treasury shares	(109,630)	-
Repayment of the principal portion of lease liabilities	(10,434)	(8,692)
Dividends paid to owners of the Company	<u>(1,040,010)</u>	<u>(281,084)</u>
Net cash used in financing activities	<u>(1,160,074)</u>	<u>(289,776)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	563,847	426,962
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,347,304</u>	<u>920,342</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,911,151</u>	<u>\$ 1,347,304</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

ASIA OPTICAL CO., INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Asia Optical Co., Inc. (“Asia Optical” or the “Company”) was incorporated in the Republic of China (ROC) in October 1980 according to the Company Law of the ROC. The Company mainly manufactures, processes and sells cameras, riflescopes, photocopier lens, scanner lens and optical components.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since August 2002.

The financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 7, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting period. Assets and liabilities that are not classified as current are noncurrent assets and liabilities.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purpose of presenting the financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries that use currencies that are different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to weighted-average cost on the balance sheet date.

f. Investment in subsidiaries

The Company uses the equity method to account for its investment in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investments accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company discontinues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Category of financial assets and measurement

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade and notes receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.

- ii. When a financial asset is more than 365 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

- c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

- a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

- b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of such goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract liabilities are reclassified to trade receivables when the remaining obligations are performed.

m. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a

recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an

ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Furthermore, the estimate of the net realizable value is subject to greater uncertainties due to fluctuations of the raw material price arising from the unpredictability in the development of the COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 402	\$ 384
Checking accounts and demand deposits	652,349	671,800
Cash equivalent (Time deposits with original maturities of less than three months)	<u>1,258,400</u>	<u>675,120</u>
	<u>\$ 1,911,151</u>	<u>\$ 1,347,304</u>
Market rate intervals of cash in bank (%)	0.01-5.15	0.01-0.52

7. FINANCIAL ASSETS AT FVTPL - NON-CURRENT

	December 31	
	2022	2021
<u>Financial assets - non-current</u>		
Unlisted shares		
OTO Brite Electronics Inc. (“OTO Brite”)	<u>\$ 47,752</u>	<u>\$ 47,316</u>

8. TRADE RECEIVABLES FROM UNRELATED PARTIES

	December 31	
	2022	2021
At amortized cost		
Gross carrying amount	\$ 803,706	\$ 345,720
Less: Allowance for impairment loss	<u>(10,427)</u>	<u>(4,815)</u>
	<u>\$ 793,279</u>	<u>\$ 340,905</u>

The average credit period of sales of goods is 30 to 180 days. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company’s exposure and the credit ratings of its counterparties are continuously monitored and reviewed by the management annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for

determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Less than 90 days	91 to 120 Days	121 to 150 Days	151 to 180 Days	181 to 210 Days	Over 211 Days	Total
<u>December 31, 2022</u>							
Expected credit loss rate (%)	0.33	5.56	23.91	32.63	68.80	76.89-100	
Gross carrying amount	\$ 766,064	\$ 26,883	\$ 1,114	\$ 2,586	\$ 1,497	\$ 5,562	\$ 803,706
Loss allowance (Lifetime ECLs)	<u>(2,078)</u>	<u>(1,495)</u>	<u>(266)</u>	<u>(844)</u>	<u>(1,030)</u>	<u>(4,714)</u>	<u>(10,427)</u>
Amortized cost	<u>\$ 763,986</u>	<u>\$ 25,388</u>	<u>\$ 848</u>	<u>\$ 1,742</u>	<u>\$ 467</u>	<u>\$ 848</u>	<u>\$ 793,279</u>
<u>December 31, 2021</u>							
Expected credit loss rate (%)	0.33	5.56	23.91	32.63	68.80	76.89-100	
Gross carrying amount	\$ 319,531	\$ 20,519	\$ 3,330	\$ 25	\$ 1,607	\$ 708	\$ 345,720
Loss allowance (Lifetime ECLs)	<u>(1,088)</u>	<u>(1,141)</u>	<u>(796)</u>	<u>(8)</u>	<u>(1,106)</u>	<u>(676)</u>	<u>(4,815)</u>
Amortized cost	<u>\$ 318,443</u>	<u>\$ 19,378</u>	<u>\$ 2,534</u>	<u>\$ 17</u>	<u>\$ 501</u>	<u>\$ 32</u>	<u>\$ 340,905</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 4,815	\$ 3,031
Add: Net remeasurement of loss allowance	<u>5,612</u>	<u>1,784</u>
Balance at December 31	<u>\$ 10,427</u>	<u>\$ 4,815</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	\$ 210,655	\$ 103,056
Work in progress	86,774	73,370
Finished goods	<u>29,577</u>	<u>9,091</u>

December 31	
2022	2021
\$ 327,006	\$ 185,517

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 3,711,072	\$ 1,839,072
Inventory write-downs	<u>2,043</u>	<u>778</u>
	<u>\$ 3,713,115</u>	<u>\$ 1,839,850</u>

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - CREDIT

Investee	December 31			
	2022		2021	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Investments accounted for using the equity method</u>				
Asia Optical International Ltd. ("Asia International")	\$ 11,479,752	100	\$ 10,797,253	100
Powerlink Electronic International (Cayman) Ltd. ("Powerlink Cayman")	789,355	100	1,114,640	100
Asia Tech Image, Inc. ("Asia Tech")	816,326	26	715,160	26
Richman International Group Co., Ltd. ("Richman")	123,167	100	187,103	100
Taiwan Top Optical Co., Ltd. ("Taiwan Top")	141,724	94	110,168	93
Dong-Guan Tailien Optical Ltd. ("Dong-Guan Tailien")	33,596	17	39,312	17
AOE Optronics Co., Ltd. ("AOE Optronics")	<u>633,971</u>	95	<u>447,264</u>	95
	<u>\$ 14,017,891</u>		<u>\$ 13,410,900</u>	
<u>Investments accounted for using the equity method - credit</u>				
Powerlink Electronic International Ltd. ("Powerlink")	<u>\$ 77,396</u>	100	<u>\$ 40,325</u>	100

In July 2021, AOE Optronics issued new shares. The Company subscribed for additional new shares of AOE Optronics at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 94.90% to 95.47%.

The board of directors of Richman resolved to return capital in the amount of US\$2,500 thousand in April 2022.

The shareholders' meeting of Taiwan Top resolved a capital reduction to offset deficit in June 2022. The

base date of capital reduction was on June 16, 2022.

In August 2022, Taiwan Top issued new shares. The Company subscribed for additional new shares of Taiwan Top at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 92.52 % to 93.62 %.

The investments accounted for using the equity method and the share of profit or loss of the subsidiaries were based on the financial statements audited by the auditors in 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022				
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 253,936	\$ -	\$ -	\$ -	\$ 253,936
Buildings	242,442	11,626	-	914	254,982
Machinery and equipment	337,639	46,997	(6,815)	19,694	397,515
Other equipment	28,058	14,004	(3,318)	17	38,761
Construction in progress	<u>1,204</u>	<u>793</u>	<u>-</u>	<u>(914)</u>	<u>1,083</u>
	<u>863,279</u>	<u>\$ 73,420</u>	<u>\$ (10,133)</u>	<u>\$ 19,711</u>	<u>946,277</u>
<u>Accumulated depreciation</u>					
Buildings	103,153	\$ 7,792	\$ -	\$ -	110,945
Machinery and equipment	86,400	50,163	(6,815)	-	129,748
Other equipment	<u>10,254</u>	<u>6,872</u>	<u>(3,318)</u>	<u>-</u>	<u>13,808</u>
	<u>199,807</u>	<u>\$ 64,827</u>	<u>\$ (10,133)</u>	<u>\$ -</u>	<u>254,501</u>
	<u>\$ 663,472</u>				<u>\$ 691,776</u>
For the Year Ended December 31, 2021					
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 253,936	\$ -	\$ -	\$ -	\$ 253,936
Buildings	244,789	835	(9,310)	6,128	242,442
Machinery and equipment	149,331	188,549	(1,381)	1,140	337,639
Other equipment	18,297	8,144	(698)	2,315	28,058
Construction in progress	<u>468</u>	<u>7,037</u>	<u>-</u>	<u>(6,301)</u>	<u>1,204</u>
	<u>666,821</u>	<u>\$ 204,565</u>	<u>\$ (11,389)</u>	<u>\$ 3,282</u>	<u>863,279</u>
<u>Accumulated depreciation</u>					
Buildings	105,935	\$ 6,528	\$ (9,310)	\$ -	103,153
Machinery and equipment	62,231	25,550	(1,381)	-	86,400
Other equipment	<u>6,708</u>	<u>4,244</u>	<u>(698)</u>	<u>-</u>	<u>10,254</u>
	<u>174,874</u>	<u>\$ 36,322</u>	<u>\$ (11,389)</u>	<u>\$ -</u>	<u>199,807</u>
	<u>\$ 491,947</u>				<u>\$ 663,472</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	25-50 years
Others	2-20 years
Machinery and equipment	2-12 years
Other equipment	2-35 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	For the Year Ended December 31, 2022			
	Balance, Beginning of Year	Addition	Decrease	Balance, End of Year
<u>Cost</u>				
Land	\$ 7,034	\$ -	\$ -	\$ 7,034
Buildings	27,974	578	(712)	27,840
Other equipment	1,298	-	(433)	865
	<u>36,306</u>	<u>\$ 578</u>	<u>\$ (1,145)</u>	<u>35,739</u>
<u>Accumulated Depreciation</u>				
Land	3,759	\$ 1,675	\$ -	5,434
Buildings	5,292	8,464	(712)	13,044
Other equipment	576	390	(433)	533
	<u>9,627</u>	<u>\$ 10,529</u>	<u>\$ (1,145)</u>	<u>19,011</u>
	<u>\$ 26,679</u>			<u>\$ 16,728</u>

	For the Year Ended December 31, 2021			
	Balance, Beginning of Year	Addition	Decrease	Balance, End of Year
<u>Cost</u>				
Land	\$ 7,034	\$ -	\$ -	\$ 7,034
Buildings	20,972	27,261	(20,259)	27,974
Other equipment	865	433	-	1,298
	<u>28,871</u>	<u>\$ 27,694</u>	<u>\$ (20,259)</u>	<u>36,306</u>
<u>Accumulated Depreciation</u>				
Land	2,084	\$ 1,675	\$ -	3,759
Buildings	15,601	8,935	(19,244)	5,292
Other equipment	187	389	-	576
	<u>17,872</u>	<u>\$ 10,999</u>	<u>\$ (19,244)</u>	<u>9,627</u>
	<u>\$ 10,999</u>			<u>\$ 26,679</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 8,685</u>	<u>\$ 10,243</u>
Non-current	<u>\$ 7,644</u>	<u>\$ 15,942</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	2%	2%
Buildings	2%	2%
Other equipment	2%	2%
	For the Year Ended December 31	
	2022	2021
Finance costs		
Interest expense from lease liabilities	\$ <u>433</u>	\$ <u>269</u>

c. Material lease-in activities and terms

The Company leases lands and buildings for the use of plants and offices with lease terms of 2 to 20 years. The lease contracts for land located in the ROC's export processing zone specify that lease payments will be adjusted in the next month after change in land value prices is announced. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>844</u>	\$ <u>767</u>
Total cash outflow for leases	\$ <u>11,711</u>	\$ <u>9,728</u>

13. INVESTMENT PROPERTIES

	Balance, Beginning of Year	Additions	Balance, End of Year
<u>For the Year Ended December 31, 2022</u>			
Cost	\$ 175,684	\$ <u>-</u>	\$ 175,684
Accumulated depreciation	<u>(56,185)</u>	<u>(3,478)</u>	<u>(59,663)</u>
	<u>\$ 119,499</u>		<u>\$ 116,021</u>
<u>For the Year Ended December 31, 2021</u>			
Cost	\$ 175,684	\$ <u>-</u>	\$ 175,684
Accumulated depreciation	<u>(52,707)</u>	<u>(3,478)</u>	<u>(56,185)</u>
	<u>\$ 122,977</u>		<u>\$ 119,499</u>

The investment properties are depreciated using the straight-line method over 40-50 years.

The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Company determined that the fair value of the investment property is not reliably measurable.

14. OTHER INTANGIBLE ASSETS

	December 31	
	2022	2021
Balance, beginning of year	\$ 53,207	\$ 12,591
Additions	20,030	52,140
Amortizations	<u>(19,248)</u>	<u>(11,524)</u>
Balance, end of year	<u>\$ 53,989</u>	<u>\$ 53,207</u>

The computer software is amortized on a straight-line basis over 1 to 8 years.

15. OTHER ASSETS - NON-CURRENT

	December 31	
	2022	2021
Restricted deposit	\$ _____	\$ <u>41,492</u>

The Company repatriated US\$10,000 thousand under The Management, Utilization, and Taxation of Repatriated Offshore Funds Act by National Taxation Bureau, Ministry of Finance (MOF) and submitted an investment plan to the Ministry of Economic Affairs under the Regulations on Industries Investment from Repatriated Offshore Funds for approval. The Company withdraws the fund for investment according to the schedule of the approved plan. The fund cannot be used for purposes other than those specified and shall be subject to 20% tax. As of December 31, 2022, the Company had fully utilized the fund.

16. OTHER PAYABLES TO UNRELATED PARTIES

	December 31	
	2022	2021
Salaries and rewards	\$ 310,965	\$ 201,369
Compensation of employees and remuneration of directors	208,513	297,100
Payables for annual leave	27,479	24,017
Payables for consumables, supplies and packing charges	22,268	24,490
Others	<u>23,981</u>	<u>29,685</u>
	<u>\$ 593,206</u>	<u>\$ 576,661</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA) which is a state-managed defined contribution plans. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Companies contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 237,958	\$ 242,160
Fair value of plan assets	<u>(121,003)</u>	<u>(109,913)</u>
Net defined benefit liability	<u>\$ 116,955</u>	<u>\$ 132,247</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2022	<u>\$ 242,160</u>	<u>\$ (109,913)</u>	<u>\$ 132,247</u>
Service cost			
Current service cost	471	-	471
Effect of transfer	22,535	-	22,535
Net interest expense (income)	<u>1,211</u>	<u>(573)</u>	<u>638</u>
Recognized in profit or loss	<u>24,217</u>	<u>(573)</u>	<u>23,644</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,558)	(8,558)
Actuarial gain - changes in demographic assumptions	(21,291)	-	(21,291)
Actuarial loss - experience adjustments	<u>1,576</u>	<u>-</u>	<u>1,576</u>
Recognized in other comprehensive income	<u>(19,715)</u>	<u>(8,558)</u>	<u>(28,273)</u>
Contributions from the employer	-	(9,651)	(9,651)
Paid from plan assets	(7,692)	7,692	-
Paid by the Company	<u>(1,012)</u>	<u>-</u>	<u>(1,012)</u>
Balance at December 31, 2022	<u>\$ 237,958</u>	<u>\$ (121,003)</u>	<u>\$ 116,955</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2021	\$ 231,832	\$ (104,644)	\$ 127,188
Service cost			
Current service cost	504	-	504
Effect of transfer	(1,509)	-	(1,509)
Net interest expense (income)	<u>1,159</u>	<u>(543)</u>	<u>616</u>
Recognized in profit or loss	<u>154</u>	<u>(543)</u>	<u>(389)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,301)	(1,301)
Actuarial loss - changes in demographic assumptions	6,639	-	6,639
Actuarial loss - experience adjustments	<u>9,436</u>	<u>-</u>	<u>9,436</u>
Recognized in other comprehensive income	<u>16,075</u>	<u>(1,301)</u>	<u>14,774</u>
Contributions from the employer	\$ -	\$ (8,775)	\$ (8,775)
Paid from plan assets	(5,350)	5,350	-
Paid by the Company	<u>(551)</u>	<u>-</u>	<u>(551)</u>
Balance at December 31, 2021	<u>\$ 242,160</u>	<u>\$ (109,913)</u>	<u>\$ 132,247</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 409	\$ 308
Selling and marketing expenses	29	19
General and administrative expenses	22,714	(1,086)
Research and development expenses	<u>492</u>	<u>370</u>
	<u>\$ 23,644</u>	<u>\$ (389)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.5%	0.5%
Expected rate(s) of salary increase	2.25%	2.25%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	<u>\$ (5,736)</u>	<u>\$ (6,498)</u>
0.25% decrease	<u>\$ 5,947</u>	<u>\$ 6,757</u>
Expected rate(s) of salary increase/decrease		
0.25% increase	<u>\$ 5,798</u>	<u>\$ 6,531</u>
0.25% decrease	<u>\$ (5,621)</u>	<u>\$ (6,316)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 10,442</u>	<u>\$ 9,202</u>
The average duration of the defined benefit obligation	9.8 years	10.9 years

18. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>313,000</u>	<u>313,000</u>
Shares authorized	<u>\$ 3,130,000</u>	<u>\$ 3,130,000</u>
Number of shares issued and fully paid (in thousands)	<u>281,084</u>	<u>281,084</u>
Shares issued	<u>\$ 2,810,839</u>	<u>\$ 2,810,839</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of ordinary shares	\$ 433,676	\$ 433,676
Recognized from conversion of bonds	4,691,598	4,691,598
<u>May be used to offset a deficit only (2)</u>		
Recognized from changes in ownership interest in subsidiaries	72,361	72,003
Recognized from interest payable compensation of convertible bonds	74,833	74,833
Others - share options expired	<u>127,730</u>	<u>127,730</u>
	<u>\$ 5,400,198</u>	<u>\$ 5,399,840</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

According to the amendments to the Articles that were resolved in the shareholders' meeting on June 14, 2022, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve equals the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

In accordance with Article 240 of Company Act, the dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash in accordance with Article 241 of the Company Act after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve equals the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 20.

Under the Company Law of the ROC and the Company's Articles of Incorporation, in deciding its stock dividend policy, the Company should consider that it is currently expanding and has a great demand for

capital. Thus, for a stable dividend policy, the board of directors should take into account the results of operations, financial position and capital demand of the Company when deciding the type of dividends (cash or shares) to be distributed. Total dividends paid should be less than 90% of retained earnings available for appropriation, and the cash dividends must be more than 10% of total dividends paid.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company specifies that when the special reserve is allocated from the net deduction of other equity accumulated in the previous period, if the undistributed surplus in the previous period is insufficient for allocation, the after-tax net income plus items other than the after-tax net income of the current period will be added into the undistributed surplus of the current period for the allocation.

In June 2022 and July 2021, the shareholders' meetings approved the appropriations of earnings for 2021 and 2020, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 148,823	\$ 37,795		
Special reserve	254,672	358,911		
Cash dividends	1,040,010	-	\$ 3.70	\$ -
Cash dividends appropriated from capital surplus	-	281,084	<u>-</u>	<u>1.00</u>
			<u>\$ 3.70</u>	<u>\$ 1.00</u>

The appropriations of earnings for 2022 were proposed by the Company's board of directors in March 2023. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 59,869	
Reversal of special reserve	(803,250)	
Cash dividends	530,563	<u>\$ 1.90</u>

The above appropriation for cash dividends has been resolved by the company's board of directors; the other proposed appropriations will be resolved by the shareholders' meeting to be held on June 2023.

d. Treasury shares

<u>Purpose of Buy-back</u>	<u>Number of Shares at January 1, 2022</u> <u>(In Thousands of Shares)</u>	<u>Increase</u> <u>(In Thousands of Shares)</u>	<u>Decrease</u> <u>(In Thousands of Shares)</u>	<u>Number of Shares at December 31, 2022</u> <u>(In Thousands of Shares)</u>
For the Year Ended December 31, 2022				
Maintain the Company's creditworthiness and shareholders' interests	<u>-</u>	<u>1,840</u>	<u>-</u>	<u>1,840</u>

Under the Securities Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

19. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 4,866,346</u>	<u>\$ 2,350,293</u>

a. Contract information

	December 31	
	2022	2021
Notes receivable and trade receivables	<u>\$ 894,703</u>	<u>\$ 400,379</u>
Contract liabilities		
Sale of goods	<u>\$ 707,893</u>	<u>\$ 419,728</u>

b. Disaggregation of revenue

Refer to Statement 7 for information about disaggregation of revenue.

	For the Year Ended December 31	
	2022	2021
<u>Timing of revenue recognition</u>		
Satisfied at a point in time	<u>\$ 4,866,346</u>	<u>\$ 2,350,293</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits, depreciation and amortization expenses

	For the Year Ended December 31					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$ 343,372	\$ 508,002	\$ 851,374	\$ 375,264	\$ 478,884	\$ 854,148
Labor and health insurance	27,464	40,649	68,113	24,586	35,152	59,738
Post-employment benefits						
Defined contribution plans	11,383	17,583	28,966	10,188	15,862	26,050
Defined benefit plans	409	23,235	23,644	308	(697)	(389)
Remuneration of directors	-	24,735	24,735	-	39,310	39,310
Other employee benefits	16,289	16,918	33,207	15,251	14,402	29,653
Depreciation	23,796	55,038	78,834	15,491	35,308	50,799
Amortization	24	19,224	19,248	42	11,482	11,524

For the years ended December 31, 2022 and 2021, the Company had an average of 953 and 778 employees, respectively, which included 4 and 5 non-employee directors for both years, respectively.

Average labor costs for the years ended December 31, 2022 and 2021 were \$1,035 thousand and \$1,254 thousand, respectively.

Average salaries and bonuses for the years ended December 31, 2022 and 2021 were \$872 thousand and \$1,105 thousand, respectively.

The average salary and bonuses decrease by 21% year over a year.

The Company had established the audit committee to replace supervisors.

Policy on Compensation

Besides the remuneration given to the independent directors, the remuneration of directors is taken into account based on the Company's operating results, own performance evaluation and participation. The remuneration of managers and compensation of employees are based on position held, responsibilities, potential future risks, contributions to operational goals, and salary management measures of the Company.

b. Compensation of employees and remuneration of directors

According to the policy as set forth in the Articles before the amendments, the Company accrues compensation of employees and remuneration of directors at rates of 5% to 15% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The shareholders' meeting on July 20, 2021, resolved the amendments to the Articles. The amendments explicitly stipulate that the Company accrues compensation of employees and remuneration of directors at rates of 5% to 20% and no higher than 3.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors in March 2023 and March 2022, respectively, were as follows:

	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	15%	\$ 184,013	14%	\$ 259,800
Remuneration of directors	2%	24,500	2%	37,300

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in next year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 105,155	\$ 11,913
Adjustment for prior years	<u>(1,859)</u>	<u>(6,892)</u>
	103,296	5,021
Deferred tax		
In respect of the current year	<u>(14,238)</u>	<u>28,612</u>
Income tax expense recognized in profit or loss	<u>\$ 89,058</u>	<u>\$ 33,633</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate (20%)	\$ 202,696	\$ 306,884
Permanent differences	(36,207)	(214,170)
Temporary differences	18,134	(15,669)
Unrecognized loss carryforwards	(52,592)	(29,216)
Unrecognized investment credits	(46,269)	(7,477)
Adjustments for prior year's tax	(1,859)	(6,892)
Taxation of repatriated offshore funds	<u>5,155</u>	<u>173</u>
Income tax expense recognized in profit or loss	<u>\$ 89,058</u>	<u>\$ 33,633</u>

b. Deferred tax assets and liabilities

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Unrealized foreign exchange loss	\$ -	\$ 29,346	\$ 29,346
Unrealized inventory loss	<u>2,563</u>	<u>(66)</u>	<u>2,497</u>
	<u>\$ 2,563</u>	<u>\$ 29,280</u>	<u>\$ 31,843</u>
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Unappropriated earnings of subsidiaries	\$ 29,300	\$ 37,871	\$ 67,171
Unrealized foreign exchange gain	<u>22,829</u>	<u>(22,829)</u>	<u>-</u>
	<u>\$ 52,129</u>	<u>\$ 15,042</u>	<u>\$ 67,171</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Unrealized loss of financial assets at FVTPL	\$ 13,698	\$ (13,698)	\$ -
Unrealized inventory loss	<u>2,407</u>	<u>156</u>	<u>2,563</u>
	<u>\$ 16,105</u>	<u>\$ (13,542)</u>	<u>\$ 2,563</u>
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Unrealized foreign exchange gain	\$ 22,724	\$ 105	\$ 22,829
Unappropriated earnings of subsidiaries	<u>14,335</u>	<u>14,965</u>	<u>29,300</u>
	<u>\$ 37,059</u>	<u>\$ 15,070</u>	<u>\$ 52,129</u>

- c. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	2022	2021
Loss carryforwards		
Expiry in 2029	\$ 226,748	\$ 489,711
Expiry in 2030	<u>124,615</u>	<u>82,144</u>
	<u>\$ 351,363</u>	<u>\$ 571,855</u>
Deductible temporary differences		
Net defined benefit liabilities	\$ 116,955	\$ 132,247
Allowance for impairment loss that exceeded the limitation of tax laws	<u>1,376</u>	<u>764</u>
	<u>\$ 118,331</u>	<u>\$ 133,011</u>

- d. Information about unused loss carryforwards

Filing Year	Expiry Year	Unused Amount
2019	2029	\$ 226,748
2020	2030	<u>124,615</u>
		<u>\$ 351,363</u>

- e. Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Income (Numerator)	Number of Shares (Denominator In Thousands)	Earnings Per Share NT\$
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income available to owners of the Company	\$ 924,425	280,665	<u>\$ 3.29</u>
Dilutive effects			
Subsidiaries' employee compensation	(2,988)	-	
Company's employee compensation	<u>-</u>	<u>3,825</u>	
Diluted EPS			
Net income available to owners of the Company	<u>\$ 921,437</u>	<u>284,490</u>	<u>\$ 3.24</u>
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to owners of the Company	\$ 1,500,788	281,084	<u>\$ 5.34</u>
Dilutive effects			
Subsidiaries' employee compensation	(2,061)	-	
Company's employee compensation	<u>-</u>	<u>2,953</u>	
Diluted EPS			
Net income available to owners of the Company	<u>\$ 1,498,727</u>	<u>284,037</u>	<u>\$ 5.28</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assume the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Company subscribed for additional new shares of Taiwan Top and AOE Optronics at a percentage different from its existing ownership percentage in 2022 and 2021, thereby increasing its continuing interest from 92.52% to 93.62% and from 94.90% to 95.47%, respectively.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2022 and 2021, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows:

The Company reclassified prepayments for equipment in the amounts of \$19,711 thousand and \$3,282 thousand to property, plant and equipment for the years ended December 31, 2022 and 2021, respectively.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued ordinary shares, capital surplus, retained earnings and other equity).

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The company is not subject to any externally imposed capital requirement.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ 47,752	\$ -	\$ 47,752
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Domestic unlisted shares	-	47,316	-	47,316

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	Market approach: using the market transaction price and other relevant information of same or comparable (similar) assets and liabilities, or a Group of assets and liabilities (e.g., operation).

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,819,683	\$ 1,809,963
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	47,752	47,316

Financial liabilities

Financial liabilities at amortized cost (2)	4,127,917	3,013,708
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- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other financial assets and refundable deposits and so on.
- 2) The balances include financial liabilities at amortized cost, which comprise notes payable, trade payables and other payables and so on.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity, trade receivables, trade payables, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

1) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities are shown in Note 29.

Sensitivity analysis

The Company was mainly exposed to the USD and JPY.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency

rates. Numbers below indicate the change in pre-tax profit or equity associated with the New Taiwan dollar strengthening 1% against the relevant currency:

	For the Year Ended December 31	
	2022	2021
The impact of USD		
Profit and loss	\$ 8,772	\$ 7,967
Equity	123,149	120,586
The impact of JPY		
Profit and loss	547	17
Equity	-	-

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

2) Interest rate risk

The Company was exposed to interest rate risk because the Company's deposits and lease liabilities are at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 1,258,400	\$ 675,120
Lease liabilities	16,329	26,185
Cash flow interest rate risk		
Financial assets	597,235	677,726

Sensitivity analysis

If interest rates had been 5% basis points higher/lower and all other variables been held constant, the Company's pretax profits for the years ended December 31, 2022 and 2021 would have increased/decreased by \$597 thousand and \$83 thousand, respectively. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- 1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- 2) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The Company adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less Than 1 Year	1-5 Years	More than 5 Years	Total
<u>December 31, 2022</u>				
Non-interest bearing Lease liabilities	\$ 4,674,874 <u>8,932</u>	\$ - <u>7,086</u>	\$ - <u>742</u>	\$ 4,674,874 <u>16,760</u>
	<u>\$ 4,683,806</u>	<u>\$ 7,086</u>	<u>\$ 742</u>	<u>\$ 4,691,634</u>
<u>December 31, 2021</u>				
Non-interest bearing Lease liabilities	\$ 3,536,194 <u>10,764</u>	\$ - <u>15,550</u>	\$ - <u>817</u>	\$ 3,536,194 <u>27,131</u>
	<u>\$ 3,546,958</u>	<u>\$ 15,550</u>	<u>\$ 817</u>	<u>\$ 3,563,325</u>

27. TRANSACTIONS WITH RELATED PARTIES

Beside information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party names and category

<u>Related Party Name</u>	<u>Relationship</u>
Asia International	Subsidiary
Powerlink Cayman	Subsidiary
Taiwan Top	Subsidiary
AOE Optronics	Subsidiary
Richman	Subsidiary
AOE International (Cayman) Limited ("AOE Cayman")	Subsidiary
AOE Optronics (Shen Zhen) Ltd. ("AOE Shen Zhen")	Subsidiary

<u>Related Party Name</u>	<u>Relationship</u>
Powerlink Electronic International (KY) Ltd. Taiwan Branch. ("Powerlink TWN BR")	Subsidiary
Yorkey Optical Technology Limited ("Yorkey Technology")	Subsidiary
Asia Tech	Subsidiary
Dong-Guan Tailien	Subsidiary
Dong-Guan Sintai Optical Ltd. ("Dong-Guan Sintai")	Subsidiary
Shen Zhen Sintai Optical Ltd. ("Shen Zhen Sintai")	Subsidiary
Myanmar Asia Optical International Ltd. ("Myanmar Asia")	Subsidiary
Scopro Optical Co., Ltd. ("Scopro")	Subsidiary
Asia Scopro Optics Co., Inc. (Asia Scopro)	Subsidiary
ASAM Industries Inc. ("ASAM")	Subsidiary
Dong-Guan Nikon Surveying Instruments Ltd. (Dong-Guan Nikon)	Associate

(Concluded)

b. Trading transactions

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2022	2021
Sales of goods	Subsidiaries		
	Asia International	\$ 211,773	\$ 182,281
	Others	<u>350,131</u>	<u>157,082</u>
		<u>\$ 561,904</u>	<u>\$ 339,363</u>
Purchases	Subsidiaries		
	Shen Zhen Sintai	\$ 476,954	\$ -
	Others	<u>1,100,442</u>	<u>98,102</u>
		<u>\$ 1,577,396</u>	<u>\$ 98,102</u>
Rental income	Subsidiaries		
	AOE Optronics	\$ 5,410	\$ 5,410
	Powerlink TWN BR	<u>2,585</u>	<u>2,820</u>
		<u>\$ 7,995</u>	<u>\$ 8,230</u>
Other income	Subsidiaries		
	Asia International	\$ 52,980	\$ 48,443
	Asia Tech	9,220	8,320
	Powerlink Cayman	<u>5,945</u>	<u>-</u>
	<u>\$ 68,145</u>	<u>\$ 56,763</u>	

The sale prices for related parties were similar to those for third parties. The credit terms are within 30 to 180 days.

Purchases were made at discounted market price to reflect the quantity of goods purchased and relationships between the parties. The payment terms to related parties were not significantly different from those of purchases from third parties.

The service fee received by the Company from its subsidiaries was calculated based on relevant service costs and markups, and recorded as non-operating income and expenses - other income.

The rentals were based on the market rentals in the area, and were paid monthly.

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade receivables	Subsidiaries	\$ <u>101,268</u>	\$ <u>58,907</u>
Other financial assets	Subsidiaries		
- current	Asia International	\$ 2,468	\$ 3,758
	Powerlink TWN BR	<u>-</u>	<u>2,075</u>
		\$ <u>2,468</u>	\$ <u>5,833</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade payables	Subsidiaries		
	Asia International	\$ 2,326,946	\$ 2,262,354
	Others	<u>727,218</u>	<u>10,846</u>
		3,054,164	2,273,200
	Associate	<u>8,954</u>	<u>-</u>
		\$ <u>3,063,118</u>	\$ <u>2,273,200</u>
Other payables	Subsidiaries		
	Asia International	\$ 574,054	\$ 574,128
	Others	<u>52,506</u>	<u>43,023</u>
		\$ <u>626,560</u>	\$ <u>617,151</u>

The outstanding trade payables to related parties are unsecured.

e. Others

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other current assets			
- temporary payments	Subsidiaries	\$ <u>12</u>	\$ <u>27</u>
Contract liabilities	Subsidiaries		
	Asia International	\$ <u>407,535</u>	\$ <u>129,974</u>

f. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2022	2021
Short-term employee benefits	\$ <u>56,907</u>	\$ <u>26,261</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In order to provide for sufficient operating funds, the Company obtained a syndicated loan with a credit line of US\$60,000 thousand with Chinatrust Commercial Bank and the related management group. The Company is required to maintain its current ratio at no less than 100%, debt ratio less than 110%, interest coverage ratio at no less than 4 times and the value of net tangible assets at no less than NT\$12 billion during the contractual period of the loan agreement. The Company has not drawn against the credit line as of December 31, 2022.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	<u>December 31, 2022</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 72,902	30.71	(USD:NTD)	\$ 2,238,820
JPY	1,189,371	0.2324	(JPY:NTD)	276,410
<u>Non-monetary items</u>				
Investments accounted for using the equity method				
USD	404,121	30.665	(USD:NTD)	12,392,274
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	101,467	30.71	(USD:NTD)	3,116,052
JPY	1,424,571	0.2324	(JPY:NTD)	331,070
<u>Non-monetary items</u>				
Investments accounted for using the equity method - credit				
USD	2,520	30.71	(USD:NTD)	77,396

	December 31, 2021			
	Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 57,632	27.68	(USD:NTD)	\$ 1,595,254
JPY	10,907	0.2405	(JPY:NTD)	2,623
<u>Non-monetary items</u>				
Investments accounted for using the equity method				
USD	435,923	27.755	(USD:NTD)	12,098,996
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	86,414	27.68	(USD:NTD)	2,391,940
JPY	3,665	0.2405	(JPY:NTD)	881
<u>Non-monetary items</u>				
Investments accounted for using the equity method - credit				
USD	1,457	27.68	(USD:NTD)	40,325

Significant unrealized foreign exchange gain (losse) are as follows:

	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.805(USD:NTD)	\$ (137,433)	28.009(USD:NTD)	\$ 113,158
JPY	0.2275(JPY:NTD)	(9,466)	0.2554(JPY:NTD)	(58)

30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 3.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
 - 9) Trading in derivative instruments: None.
- b. Information on investees: Table 6.
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 7.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 4.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 4.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Note 27.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	Shen Zhen Sintai	Shang Hai Sintai	Receivables from related parties	Yes	\$ 181,690 (RMB 41,200)	\$ 175,075 (RMB 39,700)	\$ 175,075 (RMB 39,700)	0.5	Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 1,000,000	\$ 2,000,000
Total						\$ 175,075	\$ 175,075			\$ -		\$ -		\$ -		

Note : The lending amount to a company shall not exceed forty percent (40%) of the net worth of the Company, and the aggregate amount for lending shall not exceed fifty percent (50%) of the net worth of the Company. The restriction of these term shall not apply to inter-company loans for funding between 100% owned subsidiaries, and the Group sets an additional rule that the amount available for lending purpose between 100% owned subsidiaries shall be (a) no more than NT\$1 billion for the individual financier and (b) no more than NT\$2 billion in total.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2022			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Asia Optical	<u>Shares</u> OTO Brite	None	Financial assets at FVTPL - non-current	2,902,846	\$ 47,752	9	\$ 47,752
Asia International	<u>Equity</u> Pioneer	None	Financial assets at FVTPL - non-current	-	114,641	12	114,641
	OTO Brite	None	Financial assets at FVTPL - non-current	1,760	-	49	-
	Shisei Datum	None	Financial assets at FVTPL - non-current	2,718	-	29	-
Shen Zhen Sintal	<u>Equity</u> Guangdong Xinwei	None	Financial assets at FVTPL - non-current	-	4,603	38	4,603
Powerlink	<u>Shares</u> Kotura	None	Financial assets at FVTPL - non-current	1,000	-	1	-

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

MARKETBLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Price	Book Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Asia International	Yorkey Cayman	Investments accounted for using the equity method	-	Subsidiary	186,833	\$ 549,526	589,813	\$ 2,114,252	- \$	- \$	- \$	-	776,346	\$ 2,663,778

TABLE 4

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Asia Optical	Asia International	Note	Sales	\$ (211,773)	(4)	30-180 days	-	-	\$ 7,692	1	
	Powerlink TWN BR	Note	Sales	(157,808)	(3)	30-180 days	-	-	-	-	
	Shen Zhen Sintai	Note	Purchases	476,954	14	30-180 days	-	-	(162,483)	5	
	Myanmar Asia	Note	Purchases	190,855	6	30-180 days	-	-	(116,794)	3	
	Dong-Guan Sintai	Note	Purchases	259,045	8	30-180 days	-	-	(143,678)	4	
	Dong-Guan Tailien	Note	Purchases	230,582	7	30-180 days	-	-	(148,461)	4	
	Asia Scopro	Note	Purchases	132,743	4	30-180 days	-	-	(60,073)	2	
Asia International	Shen Zhen Sintai	Note	Purchases	1,744,917	17	30-180 days	-	-	(1,600,509)	(62)	
	Myanmar Asia	Note	Purchases	218,180	2	30-180 days	-	-	-	-	
	Dong-Guan Sintai	Note	Purchases	337,247	3	30-180 days	-	-	(145,998)	(6)	
	Dong-Guan Tailien	Note	Purchases	170,747	2	30-180 days	-	-	-	-	
	Asia Optical	Note	Purchases	211,773	2	30-180 days	-	-	-	-	
Powerlink Cayman	Powerlink TWN BR	Note	Sales	(793,655)	(88)	30-180 days	-	-	321,060	72	
	Scopro	Note	Purchases	214,176	28	30-180 days	-	-	-	-	
	Asia Scopro	Note	Purchases	210,071	27	30-180 days	-	-	-	-	
Powerlink TWN BR	Powerlink Cayman	Note	Purchases	793,655	70	30-180 days	-	-	(320,252)	(100)	
	Asia Optical	Note	Purchases	157,808	14	30-180 days	-	-	-	-	
Asia Scopro	Powerlink Cayman	Note	Sales	(210,071)	(61)	30-180 days	-	-	-	-	
	Asia Optical	Note	Sales	(132,743)	(39)	30-180 days	-	-	59,995	100	
Asia Tech	Asia Tech Samoa	Note	Purchases	3,417,362	100	30-180 days	-	-	(1,737,012)	(100)	
	Asia Tech Samoa	Note	Sales	(3,417,362)	(100)	30-180 days	-	-	1,737,012	100	
Shen Zhen Atii	Shen Zhen Atii	Note	Purchases	2,156,426	71	30-180 days	-	-	(1,234,532)	(70)	
	Asia Tech Samoa	Note	Sales	(2,156,426)	(87)	30-180 days	-	-	1,234,532	90	
AOE Shen Zhen	Shen Zhen Sintai	Note	Purchases	352,494	33	30-180 days	-	-	(16,650)	(5)	
	AOE Cayman	Note	Sales	(279,382)	(14)	30-180 days	-	-	-	-	
	AOE Cayman	Note	Purchases	238,799	23	30-180 days	-	-	(188,899)	(53)	

(Continued)

Purchaser or Seller	Related Party	Nature of the Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
AOE Cayman	AOE Shen Zhen	Note	Purchases	\$ 279,382	53	30-180 days	-	-	\$ -	-	
	AOE Shen Zhen	Note	Sales	(238,799)	(46)	30-180 days	-	-	213,906	86	
	AOE Optronics	Note	Sales	(188,002)	(36)	30-180 days	-	-	21,769	9	
AOE Optronics	AOE Cayman	Note	Purchases	188,002	62	30-180 days	-	-	(18,643)	(24)	
Dong-Guan Tailien	Asia International	Note	Sales	(170,747)	(26)	30-180 days	-	-	-	-	
	Asia Optical	Note	Sales	(230,582)	(35)	30-180 days	-	-	149,214	45	
Dong-Guan Sintai	Asia International	Note	Sales	(337,247)	(49)	30-180 days	-	-	147,268	49	
	Asia Optical	Note	Sales	(259,045)	(37)	30-180 days	-	-	149,639	50	
Shen Zhen Sintai	Asia International	Note	Sales	(1,744,917)	(42)	30-180 days	-	-	1,774,610	83	
	AOE Shen Zhen	Note	Sales	(352,494)	(9)	30-180 days	-	-	22,337	1	
	Asia Optical	Note	Sales	(476,954)	(12)	30-180 days	-	-	167,337	8	
Myanmar Asia	Asia International	Note	Sales	(218,180)	(53)	30-180 days	-	-	-	-	
	Asia Optical	Note	Sales	(190,855)	(47)	30-180 days	-	-	119,265	100	
Dong-Guan Yorkey	Yorkey Technology	Note	Sales	(1,305,510)	(69)	30-180 days	-	-	1,333,765	91	
	Yorkey Technology	Note	Purchases	213,750	33	30-180 days	-	-	-	-	
Yorkey Technology	Dong-Guan Yorkey	Note	Sales	(213,750)	(13)	30-180 days	-	-	-	-	
	Dong-Guan Yorkey	Note	Purchases	1,305,510	86	30-180 days	-	-	(1,333,765)	(96)	
Scopro	Powerlink Cayman	Note	Sales	(214,176)	(69)	30-180 days	-	-	-	-	

(Concluded)

Note : Refer to Note 11.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Asia International	Myanmar Asia	Subsidiary of Asia International	\$ 2,480,105	Note	\$ -	-	\$ 40,737	\$ -
	AOE Cayman	Affiliate	186,718	Note	-	-	1,094	-
	Asia Optical	Parent company of Asia International	2,431,034	Note	-	-	259,103	-
	Asia Optical	Parent company of Asia International	462,274	Note	-	-	-	-
	Dong-Guan Tailien	Affiliate	211,768	Note	-	-	-	-
AOE Cayman	AOE Shen Zhen	Subsidiary of AOE Cayman	213,906	Note	-	-	133,422	-
	AOE Shen Zhen	Subsidiary of AOE Cayman	894,024	Note	-	-	-	-
Powerlink TWN BR	Asia Scopro	Affiliate	129,755	Note	-	-	129,755	-
	Scopro	Affiliate	117,582	Note	-	-	117,582	-
Dong-Guan Sintai	Asia International	Parent company of Dong Guan Sintai	147,268	Note	-	-	3,072	-
	Asia Optical	Parent company of Asia International	149,639	Note	-	-	10,975	-
Dong-Guan Tailien	Asia Optical	Parent company of Asia International	149,214	Note	-	-	26,714	-
Shen Zhen Sintai	Asia International	Parent company of Shen Zhen Sintai	1,774,610	Note	-	-	17,061	-
	Shang Hai Sintai	Affiliate	177,873	Note	-	-	-	-
	Asia Optical	Parent company of Asia International	167,337	Note	-	-	34,518	-
Myanmar Asia	Asia Optical	Parent company of Asia International	119,265	Note	-	-	-	-
Powerlink Cayman	Powerlink TWN BR	Branches operations of Powerlink Cayman	321,060	Note	-	-	73,725	-
Asia Tech Samoa	Asia Tech	Parent company of Asia Tech Samoa	1,737,012	Note	-	-	185,887	-
Shen Zhen Atii	Asia Tech Samoa	Parent company of Shen Zhen Atii	1,234,532	Note	-	-	15,056	-
Dong-Guan Yorkey	Yorkey Technology	Parent company of Dong-Guan Yorkey	1,333,765	Note	-	-	71,289	-

Note : The receivables resulted from purchases of materials and property, plant, and equipment on behalf of Asia International and loan transaction; thus, turnover analysis was not suitable.

TABLE 6

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of DECEMBER 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
Asia Optical	Asia International	British Virgin Islands	Sale of riflescopes, lenses and optical components	\$ 2,701,520	\$ 2,701,520	15,686,000	100	\$ 11,479,752	\$ 471,124	\$ 471,124	Subsidiary
	Powerlink Cayman	Cayman Islands	Trading company	44,392	44,392	1,500,000	100	789,355	37,518	37,518	Subsidiary
	Asia Tech	New Taipei	Sale of precision instruments and image sensors	231,753	231,753	19,027,964	26	816,326	578,726	151,810	Subsidiary
	Powerlink	British Virgin Islands	Sale of riflescopes, lenses and optical components	14,000	14,000	50,000	100	(77,396)	(39,998)	(39,998)	Subsidiary
	Richman	British Virgin Islands	Holding company	99,520	172,295	2,566,000	100	123,167	11,186	11,186	Subsidiary
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	1,921,610	1,921,610	19,065,843	95	633,971	109,691	104,679	Subsidiary
	Taiwan Top	Changhua	Manufacture and sale of cameras, copy machines, printers and facsimile machines	588,105	562,781	8,248,348	94	141,724	30	(3)	Subsidiary
Asia International	Yorkey Cayman	Cayman Islands	Holding company	2,663,778	549,526	776,346,000	95	1,284,824	189,552	191,136	Indirect Subsidiary
	Pentax Sintai	Hong Kong	Trading company	42,557	42,557	9,360,000	45	-	-	-	Note
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	298,179	298,179	506,880	3	16,861	109,691	2,786	Subsidiary
	AOIDC	Japan	Development and technology services	22,071	22,071	100	100	29,435	293	293	Indirect Subsidiary
	Myanmar Asia	Myanmar Yangon	Manufacture of lens and related product	634,082	365,865	1,998,572	100	(1,596,513)	(163,486)	(163,486)	Indirect subsidiary
Powerlink Cayman	Asia Scopro	Philippines Calamba	Manufacture and trade of riflescopes, lenses and optical component	17,043	17,043	241,000	100	(42,323)	(16,210)	(16,210)	Indirect subsidiary
	ASAM	Philippines Calamba	Anode processing factory	9,690	9,690	150,000	100	44,494	(6,080)	(6,080)	Indirect subsidiary
Asia Tech	Asia Tech Samoa	Samoa	Sale of precision instruments and image sensor	845,520	845,520	18,662,310	100	2,685,269	172,191	172,191	Indirect Subsidiary
Powerlink	Scopro	Philippines Manila	Manufacture and trade of riflescopes, lenses and optical component	5,119	5,119	4,000,000	100	(86,908)	(37,718)	(37,718)	Indirect subsidiary
Richman	Yorkey Cayman	Cayman Islands	Holding company	291,289	291,289	40,000,000	5	66,059	189,552	9,288	Indirect Subsidiary
	Crosszone	British Virgin Islands	Trading company	1,568	1,568	50,000	100	(2,979)	(427)	(427)	Indirect subsidiary
AOE Optronics	AOE Cayman	Cayman Islands	Sale of cell phone related products	1,311,447	1,311,447	44,176,066	100	578,315	167,517	167,517	Indirect subsidiary
Yorkey Cayman	Yorkey Technology	Samoa	Trading company	2,560,518	2,560,518	550,001	100	315,411	12,698	12,698	Indirect subsidiary

Note: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of DECEMBER 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of DECEMBER 31, 2022	Accumulated Repatriation of Investment Income as of DECEMBER 31, 2022
					Outward	Inward						
Shen Zhen Sintai	Manufacture of laser printers, cameras, scanners and plastic products	US\$ 38,000	(2)	\$ 1,270,274 (US\$ 38,000)	\$ -	\$ -	\$ 1,270,274 (US\$ 38,000)	\$ 115,955	100	\$ 115,955	\$ 3,056,290	\$ -
Dong-Guan Sintai	Manufacture of optical components and finished products	US\$ 16,600	(2)	1,234,670 (US\$ 35,937)	-	-	1,234,670 (US\$ 35,937)	4,830	100	4,830	460,684	(US\$ 454,587) 14,000)
Shen Zhen Atii	Manufacture and sale of image sensor	US\$ 10,000	(2)	170,256 (US\$ 5,400)	-	-	170,256 (US\$ 5,400)	164,804	26	43,156	452,903	-
Shang Hai Sintai	Manufacture and sale of parts of DV and DSC	US\$ 34,000	(2)	1,098,606 (US\$ 34,000)	-	-	1,098,606 (US\$ 34,000)	(12,385)	100	(12,385)	85,219	-
Xingfung Sintai	Manufacture and sale of DVD players, DVD pickup heads and parts	US\$ 29,137	(2)	145,656 (US\$ 4,200)	-	-	145,656 (US\$ 4,200)	-	12	-	114,641	74,541 (US\$ 2,599)
Dong-Guan Tailien	Manufacture and processing of cameras and parts	US\$ 3,160	(2)	123,440 (US\$ 4,000)	-	-	123,440 (US\$ 4,000)	21,197	61	13,467	120,524	84,435 (US\$ 2,751)
			(3)	11,163 (US\$ 420)	-	-	11,163 (US\$ 420)	21,197	17	3,623	33,596	39,546 (US\$ 1,255)
			(2)	22,614 (US\$ 700)	-	-	22,614 (US\$ 700)	21,197	12	2,441	22,639	18,812 (US\$ 589)
Dong-Guan Yorkey	Manufacture of plastic and metallic parts, molds and cases of optical and optronics products	US\$ 20,680	(2)	291,289 (US\$ 9,079)	-	-	291,289 (US\$ 9,079)	189,784	5	9,299	75,236	-
			(2)	549,526 (US\$ 18,553)	2,114,252 (US\$ 75,441)	-	2,663,778 (US\$ 93,994)	189,784	95	181,336	1,462,922	-
Shen Zhen Pentax Sintai	Manufacture and sale of optical instruments	HK\$ 12,600	(Note 4)	27,703 (US\$ 845)	-	-	27,703 (US\$ 845)	-	-	-	-	-
Dong-Guan Nikon	Research and manufacture of equipment for electronic use	US\$ 2,000	(2)	27,772 (US\$ 800)	-	-	27,772 (US\$ 800)	7,505	40	3,002	46,741	-
AOE Shen Zhen	Manufacture of cell phone related products	US\$ 12,000	(2)	360,186 (US\$ 12,000)	-	-	360,186 (US\$ 12,000)	167,647	95	159,952	(368,466)	-
Guangdong Xinwei	Manufacture of car	RMB\$ 9,100	(2)	-	-	-	-	167,647	3	4,258	(9,808)	-
				-	-	-	-	-	38	-	4,603	-

Accumulated Outward Remittance for Investment in Mainland China as of DECEMBER 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 7,791,858 (US\$ 235,131)	\$ 10,280,622 (US\$ 328,042)	(Note 3)

Note 1: The investments were made as follows:

- (1) The investment was made directly by a subsidiary located in mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China (refer to Note 11 to the accompanying consolidated financial statements; in addition, Asia International is the investor of Pioneer and Dong-Guan Nikon).
- (3) Others

Note 2: Investment gain (loss) was recognized based on the financial statements audited by an independent auditor of the parent company.

Note 3: Under the "Regulations for the Screening of Applications to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the amount of investment in mainland China has no limit since the parent company, Asia Optical Co., Inc. had acquired the approval by the Industrial Development Bureau to establish operating headquarters in Taiwan.

Note 4: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
I-Jen Lai	17,907,039	6.37%
Tsih-Mei Industrial Co., Ltd.	16,500,000	5.87%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Asia Optical Co., Inc.

By:

Lai I-Jen
Chairman

March 7, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Asia Optical Co., Inc.

Opinion

We have audited the accompanying consolidated financial statements of Asia Optical Co., Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is as follows:

Sales Recognition

The Group's sales are primarily generated by the optical component segment, contact image sensor module segment, optronics components segment, optronics product segment and digital camera segment. The overall sales revenue of the Group decreased compared to the prior year, but the sales to particular customers had increased substantially. Since the sales generated from these particular customers accounted for a major proportion of total sales, the recognition of sales from these particular customers was identified as a key audit matter, refer to Notes 4 and 23 to the consolidated financial statements.

We obtained an understanding and tested the internal controls of the Group in relation to recognition of sales from particular customers. We also performed the following audit procedures:

1. We selected sample transactions from sales and tested the operating effectiveness of relevant key controls.
2. We selected the samples of sales from particular customers with significant sales growth and checked them against purchase orders and related documents such as shipping documents and revenue records.

Other Matter

We have also audited the parent company only financial statements of Asia Optical Co., Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 7, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,179,112	45	\$ 10,187,063	45
Financial assets at amortized cost - current (Notes 8 and 32)	87,131	-	57,282	-
Notes receivable (Notes 4 and 23)	71,764	-	152,814	1
Trade receivables from unrelated parties (Notes 4, 9 and 23)	3,836,922	19	4,335,267	19
Trade receivables from related parties (Notes 4, 23 and 31)	-	-	30	-
Inventories (Notes 4, 5 and 10)	3,360,626	16	3,868,442	17
Other financial assets - current (Notes 4 and 31)	100,641	1	171,963	1
Other current assets (Notes 4 and 12)	163,797	1	138,611	1
Total current assets	16,799,993	82	18,911,472	84
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	166,996	1	205,845	1
Investments accounted for using the equity method (Notes 4 and 13)	46,741	-	42,856	-
Property, plant and equipment (Notes 4 and 14)	2,544,471	13	2,567,977	12
Right-of-use assets (Notes 4 and 15)	282,110	1	291,024	1
Investment properties (Notes 4 and 16)	366,452	2	385,337	2
Other intangible assets (Notes 4 and 17)	74,202	-	73,955	-
Deferred tax assets (Notes 4 and 25)	43,810	-	16,237	-
Prepayments for equipment	85,170	1	75,133	-
Refundable deposits	13,299	-	12,909	-
Other financial assets - non-current (Notes 4 and 18)	-	-	41,492	-
Total non-current assets	3,623,251	18	3,712,765	16
TOTAL	\$ 20,423,244	100	\$ 22,624,237	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 23)	\$ 339,150	2	\$ 423,777	2
Notes payable	7,182	-	18,041	-
Trade payables to unrelated parties	2,599,360	13	3,259,301	14
Trade payables to related parties (Note 31)	12,276	-	7,869	-
Other payables (Note 19)	1,960,293	9	2,392,221	11
Current tax liabilities (Notes 4 and 25)	357,316	2	147,190	1
Lease liabilities - current (Notes 4 and 15)	18,730	-	19,469	-
Other current liabilities (Notes 4 and 23)	90,646	-	112,652	-
Total current liabilities	5,384,953	26	6,380,520	28
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 25)	181,701	1	152,672	1
Lease liabilities - non-current (Notes 4 and 15)	25,887	-	43,245	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	122,644	1	145,809	1
Guarantee deposits received	7,856	-	7,688	-
Other non-current liabilities (Notes 4 and 20)	2,285	-	2,251	-
Total non-current liabilities	340,373	2	351,665	2
Total liabilities	5,725,326	28	6,732,185	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,810,839	14	2,810,839	13
Capital surplus	5,400,198	26	5,399,840	24
Retained earnings				
Legal reserve	2,040,613	10	1,891,790	8
Special reserve	1,085,120	5	830,448	4
Unappropriated earnings	1,452,121	7	2,296,940	10
Other equity	(276,073)	(1)	(1,079,323)	(5)
Treasury shares	(109,630)	-	-	-
Total equity attributable to owners of the Company	12,403,188	61	12,150,534	54
NON-CONTROLLING INTERESTS	2,294,730	11	3,741,518	16
Total equity	14,697,918	72	15,892,052	70
TOTAL	\$ 20,423,244	100	\$ 22,624,237	100

The accompanying notes are an integral part of the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 31)	\$ 19,077,048	100	\$ 20,976,807	100
COST OF GOODS SOLD (Notes 10, 24 and 31)	<u>15,316,222</u>	<u>80</u>	<u>16,640,357</u>	<u>79</u>
GROSS PROFIT	<u>3,760,826</u>	<u>20</u>	<u>4,336,450</u>	<u>21</u>
OPERATING EXPENSES (Notes 24 and 31)				
Selling and marketing expenses	215,153	1	213,109	1
General and administrative expenses	1,304,783	7	1,231,545	6
Research and development expenses	849,500	5	831,225	4
Expected credit loss (Notes 4 and 9)	<u>55,794</u>	<u>-</u>	<u>15,352</u>	<u>-</u>
Total operating expenses	<u>2,425,230</u>	<u>13</u>	<u>2,291,231</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>1,335,596</u>	<u>7</u>	<u>2,045,219</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	181,638	1	115,204	1
Other gains and losses (Notes 4 and 24)	(8,380)	-	(10,048)	-
Finance costs (Notes 4 and 15)	(3,197)	-	(1,296)	-
Share of profit of associates (Notes 4 and 13)	3,002	-	1,950	-
Interest income (Note 4)	89,981	-	38,511	-
Foreign exchange gain (loss), net (Note 4)	180,635	1	(119,619)	(1)
Net gain (loss) on fair value change of financial asset mandatorily classified at FVTPL (Note 4)	<u>(61,778)</u>	<u>-</u>	<u>17,550</u>	<u>-</u>
Total non-operating income and expenses	<u>381,901</u>	<u>2</u>	<u>42,252</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,717,497	9	2,087,471	10
INCOME TAX EXPENSE (Notes 4 and 25)	<u>371,870</u>	<u>2</u>	<u>213,842</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,345,627</u>	<u>7</u>	<u>1,873,629</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	37,662	-	(12,577)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>922,990</u>	<u>5</u>	<u>(309,511)</u>	<u>(2)</u>

(Continued)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Other comprehensive income (loss) for the year	\$ 960,652	5	\$ (322,088)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,306,279</u>	<u>12</u>	<u>\$ 1,551,541</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 924,425	5	\$ 1,500,788	7
Non-controlling interests	<u>421,202</u>	<u>2</u>	<u>372,841</u>	<u>2</u>
	<u>\$ 1,345,627</u>	<u>7</u>	<u>\$ 1,873,629</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,764,841	9	\$ 1,233,560	6
Non-controlling interests	<u>541,438</u>	<u>3</u>	<u>317,981</u>	<u>1</u>
	<u>\$ 2,306,279</u>	<u>12</u>	<u>\$ 1,551,541</u>	<u>7</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 3.29</u>		<u>\$ 5.34</u>	
Diluted	<u>\$ 3.24</u>		<u>\$ 5.28</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company						Other Equity (Note 4) Exchange Differences on Translation of the Financial Statements of Foreign Operations	Treasury Shares (Note 22)	Total	Non-controlling Interests (Note 4)	Total Equity
	Ordinary Shares (Note 22)	Capital Surplus (Notes 4, 22 and 27)	Retained Earnings (Notes 4, 21, 22 and 27)			Unappropriated Earnings					
			Legal Reserve	Special Reserve							
BALANCE AT JANUARY 1, 2021	\$ 2,810,839	\$ 5,681,023	\$ 1,853,995	\$ 471,537	\$ 1,205,414	\$ (824,651)	\$ -	\$ 11,198,157	\$ 3,761,312	\$ 14,959,469	
Appropriation of 2020 earnings											
Legal reserve	-	-	37,795	-	(37,795)	-	-	-	-	-	
Special reserve	-	-	-	358,911	(358,911)	-	-	-	-	-	
Cash distributed from capital surplus, NT\$1.00 per share	-	(281,084)	-	-	-	-	-	(281,084)	-	(281,084)	
Net profit for the year ended December 31, 2021	-	-	-	-	1,500,788	-	-	1,500,788	372,841	1,873,629	
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(12,556)	(254,672)	-	(267,228)	(54,860)	(322,088)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,488,232	(254,672)	-	1,233,560	317,981	1,551,541	
Change in ownership interests in subsidiaries	-	(99)	-	-	-	-	-	(99)	99	-	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(337,874)	(337,874)	
BALANCE AT DECEMBER 31, 2021	2,810,839	5,399,840	1,891,790	830,448	2,296,940	(1,079,323)	-	12,150,534	3,741,518	15,892,052	
Appropriation of 2021 earnings											
Legal reserve	-	-	148,823	-	(148,823)	-	-	-	-	-	
Special reserve	-	-	-	254,672	(254,672)	-	-	-	-	-	
Cash dividends, NT\$3.70 per share	-	-	-	-	(1,040,010)	-	-	(1,040,010)	-	(1,040,010)	
Net profit for the year ended December 31, 2022	-	-	-	-	924,425	-	-	924,425	421,202	1,345,627	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	37,166	803,250	-	840,416	120,236	960,652	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	961,591	803,250	-	1,764,841	541,438	2,306,279	
Buy-back of treasury shares	-	-	-	-	-	-	(109,630)	(109,630)	-	(109,630)	
Actual acquisition of partial interests in subsidiaries	-	-	-	-	(362,905)	-	-	(362,905)	(1,751,347)	(2,114,252)	
Change in ownership interests in subsidiaries	-	358	-	-	-	-	-	358	(358)	-	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(236,521)	(236,521)	
BALANCE AT DECEMBER 31, 2022	\$ 2,810,839	\$ 5,400,198	\$ 2,040,613	\$ 1,085,120	\$ 1,452,121	\$ (276,073)	\$ (109,630)	\$ 12,403,188	\$ 2,294,730	\$ 14,697,918	

The accompanying notes are an integral part of the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,717,497	\$ 2,087,471
Adjustments for:		
Depreciation expense	531,978	558,320
Amortization expense	21,882	14,068
Expected credit loss	55,794	15,352
Net loss (gain) on fair value change of financial assets mandatorily classified at fair value through profit or loss	61,778	(17,550)
Finance costs	3,197	1,296
Interest income	(89,981)	(38,511)
Dividend income	(26,245)	(1,455)
Share of profit of associates	(3,002)	(1,950)
Gain on disposal of property, plant and equipment, net	(1,117)	(197)
Loss on disposal of financial assets, net	-	1,129
Impairment loss on non-financial assets	5,539	26,464
Net loss (gain) on foreign currency exchange	9,119	(115,711)
Recognition of provisions	34	37
Net changes in operating assets and liabilities:		
Notes receivable	83,781	(51,089)
Trade receivables	378,265	(987,105)
Inventories	704,309	(1,377,584)
Other current assets	13,713	(6,089)
Other financial assets	81,412	(40,354)
Contract liabilities	(86,690)	268,827
Notes payable	(10,422)	2,549
Trade payables	(599,723)	522,959
Other payables	(463,957)	809,792
Other current liabilities	(24,539)	22,874
Net defined benefit liabilities	14,318	(10,546)
Cash generated from operations	<u>2,376,940</u>	<u>1,682,997</u>
Interest received	89,981	38,511
Interest paid	(3,197)	(1,296)
Income tax paid	<u>(164,747)</u>	<u>(126,141)</u>
Net cash generated from operating activities	<u>2,298,977</u>	<u>1,594,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(208,020)	(26,067)
Proceeds from sale of financial assets at amortized cost	179,045	28,354
Purchase of financial assets at fair value through profit or loss	(7,378)	(14,584)
Proceeds from sale of financial assets at fair value through profit or loss	-	9,475
Payments for property, plant and equipment	(326,565)	(548,859)
Proceeds from disposal of property, plant and equipment	1,415	3,930
Increase in refundable deposits	(71)	(580)

(Continued)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Payments for intangible assets	\$ (22,055)	\$ (52,332)
Decrease in other financial assets	41,492	198,451
Increase in prepayments for equipment	(54,210)	(101,653)
Dividends received	<u>26,245</u>	<u>1,455</u>
Net cash used in investing activities	<u>(370,102)</u>	<u>(502,410)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for buy-back of treasury shares	(109,630)	-
Net cash outflow on acquisition of subsidiary	(2,114,252)	-
Decrease in guarantee deposits received	-	(830)
Repayment of the principal portion of lease liabilities	(19,934)	(18,220)
Dividends paid to owners of the Company	(1,040,010)	(281,084)
Change in non-controlling interests	<u>(236,521)</u>	<u>(337,874)</u>
Net cash used in financing activities	<u>(3,520,347)</u>	<u>(638,008)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>583,521</u>	<u>(262,775)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,007,951)	190,878
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,187,063</u>	<u>9,996,185</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 9,179,112</u>	<u>\$ 10,187,063</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Asia Optical Co., Inc. (“Asia Optical” or the “Company”) was incorporated in the Republic of China (ROC) in October 1980 according to the Company Law of the ROC. The Company mainly manufactures, processes and sells cameras, riflescopes, photocopier lens, scanner lens and optical components.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since August 2002.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 7, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting period. Assets and liabilities that are not classified as current are noncurrent assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer Note 11 to Tables 7 and 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual consolidated entity in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group and its entities (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate of parties that are not related to the Group.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Category of financial assets and measurement

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade and notes receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. The Group recognizes lifetime ECLs when the credit risk on a financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of such goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

p. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Rental income from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Furthermore, the estimate of the net realizable value is subject to greater uncertainties due to the high fluctuations of the raw material price arising from the unpredictability in the development of the COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 24,186	\$ 9,456
Checking accounts and demand deposits	3,236,089	4,509,345
Cash equivalent (Time deposits with original maturities of less than three months)	<u>5,918,837</u>	<u>5,668,262</u>
	<u>\$ 9,179,112</u>	<u>\$ 10,187,063</u>
Market rate intervals of cash in bank (%)	0.001-5.17	0.001-3.2

7. FINANCIAL ASSETS AT FVTPL - NON-CURRENT

	December 31	
	2022	2021
<u>Financial assets - non-current</u>		
Unlisted shares		
Pioneer Technology Co., Ltd. ("Pioneer")	\$ 114,641	\$ 147,429
OTO Brite Electronics, Inc. ("OTO Brite")	47,752	47,316
Guangdong Xinwei Automobile Technology Co., Ltd ("Guangdong Xinwei")	4,603	4,531
B-STORM. CO., LTD. ("B-STORM")	-	6,569
Shisei Datum Ltd. ("Shisei Datum")	-	-
Kotura, Inc. ("Kotura")	<u>-</u>	<u>-</u>
	<u>\$ 166,996</u>	<u>\$ 205,845</u>

8. FINANCIAL ASSETS AT AMORTIZED COST – CURRENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Time deposits with original maturities of more than 3 months	\$ <u>87,131</u>	\$ <u>57,282</u>
Market rate intervals of time deposits (%)	1.35-1.44	0.765-1.55

Refer to Note 32 for information relating to financial assets at amortized cost -current pledged as security.

9. TRADE RECEIVABLES FROM UNRELATED PARTIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
At amortized cost		
Gross carrying amount	\$ 3,884,776	\$ 4,423,268
Less: Allowance for impairment loss	<u>(47,854)</u>	<u>(88,001)</u>
	<u>\$ 3,836,922</u>	<u>\$ 4,335,267</u>

The average credit period of sales of goods is 30 to 240 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and reviewed by the management annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Less than 90 days	91 to 120 Days	121 to 150 Days	151 to 180 Days	181 to 210 Days	Over 211 Days	Total
<u>December 31, 2022</u>							
Expected credit loss rate (%)	0-0.73	0-6.21	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,223,733	\$ 272,888	\$ 94,191	\$ 89,755	\$ 99,821	\$ 104,388	\$ 3,884,776
Loss allowance (Lifetime ECLs)	<u>(8,147)</u>	<u>(5,254)</u>	<u>(5,928)</u>	<u>(7,180)</u>	<u>(8,817)</u>	<u>(12,528)</u>	<u>(47,854)</u>
Amortized cost	<u>\$ 3,215,586</u>	<u>\$ 267,634</u>	<u>\$ 88,263</u>	<u>\$ 82,575</u>	<u>\$ 91,004</u>	<u>\$ 91,860</u>	<u>\$ 3,836,922</u>
<u>December 31, 2021</u>							
Expected credit loss rate (%)	0-0.85	0-10.36	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,649,457	\$ 256,866	\$ 81,984	\$ 74,692	\$ 61,565	\$ 298,704	\$ 4,423,268
Loss allowance (Lifetime ECLs)	<u>(11,509)</u>	<u>(8,306)</u>	<u>(6,141)</u>	<u>(8,205)</u>	<u>(8,300)</u>	<u>(45,540)</u>	<u>(88,001)</u>
Amortized cost	<u>\$ 3,637,948</u>	<u>\$ 248,560</u>	<u>\$ 75,843</u>	<u>\$ 66,487</u>	<u>\$ 53,265</u>	<u>\$ 253,164</u>	<u>\$ 4,335,267</u>

The movements of the loss allowance of trade receivables were as follows:

	December 31	
	2022	2021
Balance at January 1	\$ 88,001	\$ 133,330
Add: Net remeasurement of loss allowance	55,794	15,352
Less: Amounts written off	(103,364)	(57,548)
Foreign exchange gains and losses	<u>7,423</u>	<u>(3,133)</u>
Balance at December 31	<u>\$ 47,854</u>	<u>\$ 88,001</u>

10. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 2,085,097	\$ 2,555,943
Supplies	50,139	53,517
Work in progress	506,028	438,036
Finished goods	<u>719,362</u>	<u>820,946</u>
	<u>\$ 3,360,626</u>	<u>\$ 3,868,442</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 15,310,683	\$ 16,613,893
Inventory write-downs	<u>5,539</u>	<u>26,464</u>
	<u>\$ 15,316,222</u>	<u>\$ 16,640,357</u>

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	% of Ownership		
		December 31, 2022	December 31, 2021	
Asia Optical	Asia Optical International Ltd. ("Asia International")	100	100	
	Powerlink Electronic International Ltd. ("Powerlink")	100	100	
	Richman International Group Co., Ltd. ("Richman")	100	100	
	Taiwan Top Optical Co., Ltd. ("Taiwan Top") (Note 27)	94	93	
	Asia Tech Image, Inc. ("Asia Tech")	26	26	
	Powerlink Electronic International (Cayman) Ltd. ("Powerlink Cayman")	100	100	
	Powerlink Electronic International (KY), Ltd. Taiwan Branch. ("Powerlink TWN BR")	100	100	
	Asia Optical and Asia International	AOE Optronics Co., Ltd. ("AOE Optronics") (Note 27)	98	98
	Asia Optical, Richman and Asia International	Dong-Guan Tailien Optical Co., Ltd. ("Dong-Guan Tailien")	90	90
Asia International	Dong-Guan Sintai Optical Co., Ltd. ("Dong-Guan Sintai")	100	100	
	Shen Zhen Sintai Optical Co., Ltd. ("Shen Zhen Sintai")	100	100	
	Sintai Photonics Technology (Shang Hai) Ltd. ("Shang Hai Sintai")	100	100	
	Pentax Sintai Holding Co., Limited ("Pentax Sintai")	45	45	
	AOI Development Center, Limited ("AOIDC")	100	100	
	Myanmar Asia Optical International Co., Ltd. ("Myanmar Asia")	100	100	
	Richman	Crosszone Limited ("Crosszone")	100	100
Richman and Asia International	Yorkey Optical International (Cayman) Ltd. ("Yorkey Cayman") (Note 27)	100	28	
	Scopro Optical Co., Ltd. ("Scopro")	100	100	
Powerlink	Asia Image (Samoa) Technology Limited ("Asia Tech Samoa")	100	100	
Asia Tech				
Pentax Sintai	Shen Zhen Pentax Sintai Co., Ltd. ("Shen Zhen Pentax Sintai")	-	-	
Asia Tech Samoa	Atii Tech Image (Shen Zhen) Co., Ltd. ("Shen Zhen Atii")	100	100	
AOE Optronics	AOE International (Cayman) Limited (AOE Cayman)	100	100	
AOE Cayman	AOE Optronics (Shen Zhen) Ltd. ("AOE Shen Zhen")	100	100	

(Continued)

Investor	Investee	% of Ownership	
		December 31, 2022	December 31, 2021
Powerlink Cayman	Asia Scopro Optics Co., Inc. (Asia Scopro)	100	100
Yorkey Cayman	ASAM Industries Inc. (“ASAM”)	100	100
	Yorkey Optical Technology Limited (“Yorkey Technology”)	100	100
Yorkey Technology	Dong-Guan Yorkey Optical Co., Ltd. (“Dong-Guan Yorkey”)	100	100

(Concluded)

In July 2021, AOE Optronics issued new shares. The Group's percentage of ownership increased to 98.01%.

The board of directors of AOE Cayman resolved to issue new shares in the amount of US\$5,000 thousand in July 2021.

The dissolution of Pentax Sintai was approved by the board of directors in December 2021; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income. As of December 31, 2021, Pentax Sintai has share subscriptions receivable of \$27,703 thousand from Shen Zhen Pentax Sintai. As of December 31, 2022, the process of liquidation has not yet been completed and Asia International has share subscriptions receivable of \$70,260 thousand from Pentax Sintai.

In March 2022, Asia International completed the privatization of Yorkey Cayman by way of a scheme of arrangement, and acquired 72.21% of the shares of Yorkey Cayman for \$2,114,252 thousand from other shareholders of Yorkey Cayman. The Group's percentage of ownership increased from 27.79% to 100% and the percentage of the indirect investment in Dong-Guan Yorkey increased to 100%. As equity trading did not result in any loss of control, it shall be handled as an equity transaction, refer to Note 27.

The board of directors of Asia International resolved to raise the capital of Myanmar Asia through debt for equity swap in the amount of US\$8,326 thousand in October 2022.

The board of directors of Richman resolved to return capital in the amount of US\$2,500 thousand in April 2022.

The shareholders' meeting of Taiwan Top resolved a capital reduction to offset deficit in June 2022. The base date of capital reduction was on June 16, 2022.

In August 2022, Taiwan Top issued new shares. The Group subscribed for additional new shares of Taiwan Top at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 92.52 % to 93.62 %.

Restricted by local laws, the Company entrusted others to invest in Scopro, Asia Scopro and ASAM; The Company still has a 100% ownership interest in the subsidiaries mentioned above.

	For the Year Ended December 31	
	2022	2021
Total comprehensive income attributable to:		
Owners of Yorkey Cayman	\$ 66,146	\$ 24,930
Non-controlling interests of Yorkey Cayman	<u>(2,831)</u>	<u>64,885</u>
	<u>\$ 63,315</u>	<u>\$ 89,815</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 245,801	\$ 148,493
Investing activities	(69,891)	(51,275)
Financing activities	<u>(1,368,312)</u>	<u>(136,536)</u>
Net cash outflow	<u>\$ (1,192,402)</u>	<u>\$ (39,318)</u>

Asia Tech and Asia Tech's subsidiaries

	December 31	
	2022	2021
Current assets	\$ 3,806,571	\$ 3,392,182
Non-current assets	324,060	405,505
Current liabilities	(970,700)	(1,030,854)
Non-current liabilities	<u>(107,071)</u>	<u>(99,766)</u>
Equity	<u>\$ 3,052,860</u>	<u>\$ 2,667,067</u>
Equity attributable to:		
Owners of Asia Tech	\$ 801,376	\$ 700,105
Non-controlling interests of Asia Tech	<u>2,251,484</u>	<u>1,966,962</u>
	<u>\$ 3,052,860</u>	<u>\$ 2,667,067</u>

	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 4,293,250</u>	<u>\$ 4,191,351</u>
Net profit from continuing operations	\$ 578,726	\$ 425,483
Other comprehensive income(loss) for the year	<u>118,817</u>	<u>(30,881)</u>
Total comprehensive income for the year	<u>\$ 697,543</u>	<u>\$ 394,602</u>
Profit attributable to:		
Owners of Asia Tech	\$ 151,916	\$ 111,689
Non-controlling interests of Asia Tech	<u>426,810</u>	<u>313,794</u>
	<u>\$ 578,726</u>	<u>\$ 425,483</u>

	For the Year Ended December 31	
	2022	2021
Total comprehensive income attributable to:		
Owners of Asia Tech	\$ 183,091	\$ 103,571
Non-controlling interests of Asia Tech	<u>514,452</u>	<u>291,031</u>
	<u>\$ 697,543</u>	<u>\$ 394,602</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 619,159	\$ 396,768
Investing activities	(17,572)	(221,889)
Financing activities	<u>(325,445)</u>	<u>(267,013)</u>
Net cash inflow (outflow)	<u>\$ 276,142</u>	<u>\$ (92,134)</u>

12. OTHER CURRENT ASSETS

	December 31	
	2022	2021
Prepayments	\$ 123,510	\$ 107,802
Net input VAT	12,989	11,592
Other	<u>27,298</u>	<u>19,217</u>
	<u>\$ 163,797</u>	<u>\$ 138,611</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2022		2021	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Unlisted companies</u>				
Dong-Guan Nikon Surveying Instruments Co., Ltd. (Dong-Guan Nikon)	<u>\$ 46,741</u>	40	<u>\$ 42,856</u>	40

Refer to Table 8 for the nature of activities, principal place of business and country of incorporation of the associate.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited.

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2022						
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Effect of Foreign Currency Exchange Differences	Balance, End of Year
<u>Cost</u>						
Land	\$ 312,067	\$ -	\$ -	\$ -	\$ (1,131)	\$ 310,936
Buildings	2,401,997	20,373	(14,425)	914	87,267	2,496,126
Machinery and equipment	7,051,159	154,455	(157,900)	27,540	330,576	7,405,830
Office equipment	381,677	22,973	(5,606)	3,922	6,767	409,733
Other equipment	2,352,548	117,741	(146,214)	5,733	70,722	2,400,530
Construction in progress	1,274	923	-	978)	(3)	1,216
	<u>12,500,722</u>	<u>\$ 316,465</u>	<u>\$ (324,145)</u>	<u>\$ 37,131</u>	<u>\$ 494,198</u>	<u>13,024,371</u>
<u>Accumulated depreciation</u>						
Buildings	1,527,503	\$ 94,346	\$ (14,424)	\$ -	\$ 46,480	1,653,905
Machinery and equipment	6,123,047	228,455	(157,660)	-	292,036	6,485,878
Office equipment	326,141	14,846	(5,587)	-	5,876	341,276
Other equipment	1,956,054	127,593	(146,176)	-	61,370	1,998,841
	<u>9,932,745</u>	<u>\$ 465,240</u>	<u>\$ (323,847)</u>	<u>\$ -</u>	<u>\$ 405,762</u>	<u>10,479,900</u>
	<u>\$ 2,567,977</u>					<u>\$ 2,544,471</u>
For the Year Ended December 31, 2021						
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Effect of Foreign Currency Exchange Differences	Balance, End of Year
<u>Cost</u>						
Land	\$ 318,370	\$ -	\$ -	\$ -	\$ (6,303)	\$ 312,067
Buildings	2,433,497	2,683	(36,430)	30,745	(28,498)	2,401,997
Machinery and equipment	6,866,548	375,862	(97,635)	8,324	(101,940)	7,051,159
Office equipment	353,400	21,772	(9,127)	17,986	(2,354)	381,677
Other equipment	2,332,768	135,444	(97,888)	8,493	(26,269)	2,352,548
Construction in progress	25,584	7,220	-	(31,107)	(423)	1,274
	<u>12,330,167</u>	<u>\$ 542,981</u>	<u>\$ (241,080)</u>	<u>\$ 34,441</u>	<u>\$ (165,787)</u>	<u>12,500,722</u>
<u>Accumulated depreciation</u>						
Buildings	1,486,426	\$ 92,923	\$ (36,401)	\$ (402)	\$ (15,043)	\$ 1,527,503
Machinery and equipment	6,054,588	249,748	(93,935)	-	(87,354)	6,123,047
Office equipment	320,977	16,435	(9,123)	402	(2,550)	326,141
Other equipment	1,940,764	135,210	(97,888)	-	(22,032)	1,956,054
	<u>9,802,755</u>	<u>\$ 494,316</u>	<u>\$ (237,347)</u>	<u>\$ -</u>	<u>\$ (126,979)</u>	<u>9,932,745</u>
	<u>\$ 2,527,412</u>					<u>\$ 2,567,977</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	25-50 years
Others	2-20 years
Machinery and equipment	2-12 years
Office equipment	2-8 years
Other equipment	2-35 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 239,893	\$ 231,716
Buildings	41,747	58,413
Other equipment	<u>470</u>	<u>895</u>
	<u>\$ 282,110</u>	<u>\$ 291,024</u>
	For the Year Ended December 31	
	2022	2021
<u>Additions</u>		
Buildings	\$ 5,930	\$ 59,060
Other equipment	<u>-</u>	<u>609</u>
	<u>\$ 5,930</u>	<u>\$ 59,669</u>
<u>Depreciation charge for right-of-use assets</u>		
Land	\$ 10,724	\$ 10,273
Buildings	18,752	18,704
Other equipment	<u>425</u>	<u>421</u>
	<u>\$ 29,901</u>	<u>\$ 29,398</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 18,730</u>	<u>\$ 19,469</u>
Non-current	<u>\$ 25,887</u>	<u>\$ 43,245</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	2%	2%
Buildings	1.1%-5%	1.5%-5%
Office equipment	2%-4.75%	2%-4.75%
Other equipment	1.5%-4.75%	1.5%-4.75%

	For the Year Ended December 31	2022	2021
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Finance costs

Interest expense from lease liabilities	\$ <u>3,197</u>	\$ <u>1,296</u>
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c. Material lease-in activities and terms

The Group leases lands and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contracts for land located in the ROC's export processing zone specify that lease payments will be adjusted in the next month after change in land value prices is announced. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	2022	2021
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Expenses relating to short-term leases	\$ <u>18,286</u>	\$ <u>19,864</u>
Total cash outflow for leases	\$ <u>41,417</u>	\$ <u>39,380</u>

16. INVESTMENT PROPERTIES

	Balance, Beginning of Year	Additions	Reclassification	Effect of Foreign Currency Exchange Differences	Balance, End of Year
<u>For the Year Ended December 31, 2022</u>					
Cost	\$ 1,106,970	\$ <u>-</u>	\$ <u>-</u>	\$ <u>34,031</u>	\$ 1,141,001
Accumulated depreciation	<u>(721,633)</u>	<u>\$ (36,837)</u>	<u>\$ -</u>	<u>\$ (16,079)</u>	<u>(774,549)</u>
	<u>\$ 385,337</u>				<u>\$ 366,452</u>
<u>For the Year Ended December 31, 2021</u>					
Cost	\$ 1,117,551	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(10,581)</u>	\$ 1,106,970
Accumulated depreciation	<u>(691,805)</u>	<u>\$ (34,606)</u>	<u>\$ -</u>	<u>\$ 4,778</u>	<u>(721,633)</u>
	<u>\$ 425,746</u>				<u>\$ 385,337</u>

The investment properties are depreciated using the straight-line method over 20-50 years.

The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

17. OTHER INTANGIBLE ASSETS

	December 31	
	2022	2021
Computer software	\$ 40,685	\$ 49,429
Goodwill	14,883	14,883
Others	<u>18,634</u>	<u>9,643</u>
	<u>\$ 74,202</u>	<u>\$ 73,955</u>

The computer software is amortized on a straight-line basis over 1 to 10 years.

18. OTHER FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2022	2021
Restricted deposits	\$ <u>-</u>	\$ <u>41,492</u>

The Company repatriated US\$10,000 thousand under The Management, Utilization, and Taxation of Repatriated Offshore Funds Act by National Taxation Bureau, Ministry of Finance (MOF) and submitted an investment plan to the Ministry of Economic Affairs under the Regulations on Industries Investment from Repatriated Offshore Funds for approval. The Company withdraws the fund for investment according to the schedule of the approved plan. The fund cannot be used for purposes other than those specified and shall be subject to 20% tax. As of December 31, 2022, the Company had fully utilized the fund.

19. OTHER PAYABLES

	December 31	
	2022	2021
Salaries and rewards	\$ 947,663	\$ 882,190
Compensation of employees and remuneration of directors	321,601	395,900
Payables for consumables, supplies and packing charges	170,105	153,491
Payables for annual leave	45,028	31,103
Others	<u>475,896</u>	<u>929,537</u>
	<u>\$ 1,960,293</u>	<u>\$ 2,392,221</u>

20. PROVISIONS

	December 31	
	2022	2021
Employee benefits (other non-current liabilities)	\$ <u>2,285</u>	\$ <u>2,251</u>

Employee benefits refer to estimates of certain long-term benefits.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Taiwan Top, Asia Tech, AOE Optronics and Powerlink TWN BR adopted a pension plans under the Labor Pension Act (LPA) which is a state-managed defined contribution plans. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China and Japan are members of a state-managed retirement benefit plan operated by the government of China and Japan. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Yorkey Cayman operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The assets of the scheme are held separately from those of Yorkey Cayman, in funds under the control of trustees. Yorkey Cayman and each of the employees make monthly mandatory contributions to the scheme.

b. Defined benefit plan

The Company, Taiwan Top and Asia Tech adopted the defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The ROC companies contribute amounts equal to 2% to 7% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

There was no plan amendment, curtailment or settlement of defined benefit plan of Asia Tech in 2021; thus, there was no actuarial valuation of the present value of the defined benefit obligation carried out by qualified actuaries in 2021. The management believes actuarial valuation would not result in significant impact on the Group's consolidated financial statements.

Scopro does not have an established retirement plan and only conforms to the minimum regulatory benefits under the Retirement Pay Law (Republic Act No. 7641), which provides retirement benefits for each year of credited service under the final salary pension scheme.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 292,892	\$ 301,856
Fair value of plan assets	<u>(170,248)</u>	<u>(156,047)</u>
Net defined benefit liability	<u>\$ 122,644</u>	<u>\$ 145,809</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2022	\$ 301,856	\$ (156,047)	\$ 145,809
Service cost			
Current service cost	3,156	(613)	2,543
Effect of transfer	22,535	-	22,535
Net interest expense (income)	<u>1,999</u>	<u>(812)</u>	<u>1,187</u>
Recognized in profit or loss	<u>27,690</u>	<u>(1,425)</u>	<u>26,265</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,239)	(12,239)
Actuarial gain - changes in demographic assumptions	(22,010)	-	(22,010)
Actuarial gain - changes in financial assumptions	(6,586)	-	(6,586)
Actuarial loss - experience adjustments	<u>3,173</u>	<u>-</u>	<u>3,173</u>
Recognized in other comprehensive income	<u>(25,423)</u>	<u>(12,239)</u>	<u>(37,662)</u>
Contributions from the employer	-	(10,934)	(10,934)
Paid from plan assets	(10,397)	10,397	-
Paid by the Company	(1,012)	-	(1,012)
Exchange differences on foreign plans	<u>178</u>	<u>-</u>	<u>178</u>
Balance at December 31, 2022	<u>\$ 292,892</u>	<u>\$ (170,248)</u>	<u>\$ 122,644</u>
Balance at January 1, 2021	<u>\$ 294,552</u>	<u>\$ (149,643)</u>	<u>\$ 144,909</u>
Service cost			
Current service cost	486	-	486
Effect of transfer	(1,509)	-	(1,509)
Net interest expense (income)	<u>1,901</u>	<u>(768)</u>	<u>1,133</u>
Recognized in profit or loss	<u>878</u>	<u>(768)</u>	<u>110</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,846)	(1,846)
Actuarial loss - changes in demographic assumptions	6,340	-	6,340
Actuarial gain - changes in financial assumptions	(450)	-	(450)
Actuarial loss - experience adjustments	<u>8,533</u>	<u>-</u>	<u>8,533</u>
Recognized in other comprehensive income	<u>14,423</u>	<u>(1,846)</u>	<u>12,577</u>
Contributions from the employer	-	(10,106)	(10,106)
Paid from plan assets	(6,316)	6,316	-
Paid by the Company	(551)	-	(551)
Exchange differences on foreign plans	<u>(1,130)</u>	<u>-</u>	<u>(1,130)</u>
Balance at December 31, 2021	<u>\$ 301,856</u>	<u>\$ (156,047)</u>	<u>\$ 145,809</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.25%-7.20%	0.5%-5.04%
Expected rate(s) of salary increase	2%-2.25%	2%-2.25%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

- 1) The Company, Taiwan Top and Asia Tech

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	<u>\$ (6,815)</u>	<u>\$ (7,741)</u>
0.25% decrease	<u>\$ 7,065</u>	<u>\$ 8,046</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 7,017</u>	<u>\$ 7,779</u>
0.25% decrease	<u>\$ (6,790)</u>	<u>\$ (7,526)</u>

- 2) Scopro

	December 31	
	2022	2021
Discount rate(s)		
0.5% increase	<u>\$ (387)</u>	<u>\$ (518)</u>
0.5% decrease	<u>\$ 411</u>	<u>\$ 554</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 431</u>	<u>\$ 568</u>
0.5% decrease	<u>\$ (408)</u>	<u>\$ (536)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
The expected contributions to the plan for the next year	<u>\$ 11,742</u>	<u>\$ 10,502</u>
The average duration of the defined benefit obligation	10 years	10 years

22. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>313,000</u>	<u>313,000</u>
Shares authorized	<u>\$ 3,130,000</u>	<u>\$ 3,130,000</u>
Number of shares issued and fully paid (in thousands)	<u>281,084</u>	<u>281,084</u>
Shares issued	<u>\$ 2,810,839</u>	<u>\$ 2,810,839</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of ordinary shares	\$ 433,676	\$ 433,676
Recognized from conversion of bonds	4,691,598	4,691,598
<u>May be used to offset a deficit only (2)</u>		
Recognized from changes in ownership interest in subsidiaries	72,361	72,003
Recognized from interest payable compensation of convertible bonds	74,833	74,833
Others - share options expired	<u>127,730</u>	<u>127,730</u>
	<u>\$ 5,400,198</u>	<u>\$ 5,399,840</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

According to the amendments to the Articles that were resolved in the shareholders' meeting on June 14, 2022, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve equals the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

In accordance with Article 240 of Company Act, the dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash in accordance with Article 241 of the Company Act after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve equals the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 24.

Under the Company Law of the ROC and the Company's Articles of Incorporation, in deciding its stock dividend policy, the Company should consider that it is currently expanding and has a great demand for capital. Thus, for a stable dividend policy, the board of directors should take into account the results of operations, financial position and capital demand of the Company when deciding the type of dividends (cash or shares) to be distributed. Total dividends paid should be less than 90% of retained earnings available for appropriation, and the cash dividends must be more than 10% of total dividends paid.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company specifies that when the special reserve is allocated from the net deduction of other equity accumulated in the previous period, if the undistributed surplus in the previous period is insufficient for allocation, the after-tax net income plus items other than the after-tax net income of the current period will be added into the undistributed surplus of the current period for the allocation.

In June 2022 and July 2021, the shareholders in their meetings approved the appropriation of earnings for 2021 and 2020, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 148,823	\$ 37,795		
Special reserve	254,672	358,911		
Cash dividends	1,040,010	-	\$ 3.70	\$ -
Cash dividends appropriated from capital surplus	-	281,084	<u>-</u>	<u>1.00</u>
			<u>\$ 3.70</u>	<u>\$ 1.00</u>

The appropriations of earnings for 2022 were proposed by the Company's board of directors in March, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 59,869	
Reversal of special reserve	(803,250)	
Cash dividends	530,563	<u>\$ 1.90</u>

The above appropriation for cash dividends has been resolved by the company's board of directors; the other proposed appropriations will be resolved by the shareholders' meeting to be held on June 2023.

d. Treasury shares

Purpose of Buy-back	Number of Shares at January 1, 2022 (In Thousands of Shares)	Increase (In Thousands of Shares)	Decrease (In Thousands of Shares)	Number of Shares at December 31, 2022 (In Thousands of Shares)
For the Year Ended <u>December 31, 2022</u>				
Maintain the Company's creditworthiness and shareholders' interests	<u>-</u>	<u>1,840</u>	<u>-</u>	<u>1,840</u>

Under the Securities Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholder's rights on these shares, such as rights to dividends and to vote.

23. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 19,077,048</u>	<u>\$ 20,976,807</u>

The rate of discount is estimated using the most likely amount, taking into account the Group's accumulated historical experience of discount. The balance of refund liability was as follows:

	December 31	
	2022	2021
Refund liability	<u>\$ 36,951</u>	<u>\$ 36,951</u>

a. Contract information

	December 31	
	2022	2021
Notes receivable and trade receivables	<u>\$ 3,908,686</u>	<u>\$ 4,488,111</u>
Contract liabilities		
Sale of goods	<u>\$ 339,150</u>	<u>\$ 423,777</u>

b. Disaggregation of revenue

Refer to Note 36 for information about disaggregation of revenue.

	For the Year Ended December 31	
	2022	2021
<u>Timing of revenue recognition</u>		
Satisfied at a point in time	<u>\$ 19,077,048</u>	<u>\$ 20,976,807</u>

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2022	2021
Rental income (Note 31)	\$ 23,589	\$ 25,866
Dividend income	26,245	1,455
Others	<u>131,804</u>	<u>87,883</u>
	<u>\$ 181,638</u>	<u>\$ 115,204</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on disposals of property, plant and equipment	\$ 1,117	\$ 197
Loss on disposal of investment	-	(1,129)
Other expenses	<u>(9,497)</u>	<u>(9,116)</u>
	<u>\$ (8,380)</u>	<u>\$ (10,048)</u>

c. Employee benefits, depreciation and amortization expenses

	For the Year Ended December 31					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$ 2,592,147	\$ 1,176,330	\$ 3,768,477	\$ 2,943,087	\$ 1,078,256	\$ 4,021,343
Other employee benefits	270,356	126,698	397,054	200,614	103,863	304,477
Post-employment benefits						
Defined contribution plans	164,100	77,135	241,235	163,570	71,128	234,698
Defined benefit plans	2,789	23,476	26,265	457	(237)	220
Depreciation	378,518	153,460	531,978	428,280	130,040	558,320
Amortization	1,605	20,277	21,882	833	13,235	14,068

d. Compensation of employees and remuneration of directors

According to the policy as set forth in the Articles before the amendments, the Company accrues compensation of employees and remuneration of directors at rates of 5% to 15% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The shareholders' meeting on July 20, 2021, resolved the amendments to the Articles. The amendments explicitly stipulate that the Company accrues compensation of employees and remuneration of directors at rates of 5% to 20% and no higher than 3.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors in March 2023 and March 2022, respectively, were as follows:

	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	15%	\$ 184,013	14%	\$ 259,800
Remuneration of directors	2%	24,500	2%	37,300

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in next year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 378,972	\$ 189,952
Income tax on unappropriated earnings	6,137	3,459
Adjustment for prior years	<u>(14,791)</u>	<u>(24,651)</u>
	370,318	168,760
Deferred tax		
In respect of the current year	<u>1,552</u>	<u>45,082</u>
Income tax expense recognized in profit or loss	<u>\$ 371,870</u>	<u>\$ 213,842</u>

- b. A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 387,908	\$ 288,462
Income tax on unappropriated earnings	6,137	3,459
Permanent differences	96,898	84,321
Temporary differences	12,293	(14,503)
Unrecognized loss carryforwards	(75,461)	(115,942)
Unrecognized investment credits	(46,269)	(7,477)
Adjustments for prior year's tax	(14,791)	(24,651)
Taxation of repatriated offshore funds	<u>5,155</u>	<u>173</u>
Income tax expense recognized in profit or loss	<u>\$ 371,870</u>	<u>\$ 213,842</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized foreign exchange loss	\$ 4,750	\$ 29,086	\$ 78	\$ 33,914
Unrealized inventory loss	3,381	(65)	5	3,321
Others	<u>8,106</u>	<u>(1,544)</u>	<u>13</u>	<u>6,575</u>
	<u>\$ 16,237</u>	<u>\$ 27,477</u>	<u>\$ 96</u>	<u>\$ 43,810</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 115,793	\$ 48,202	\$ -	\$ 163,995
Deferred pension expense	11,868	-	-	11,868
Unrealized foreign exchange gain	22,829	(19,173)	-	3,656
Land value increment tax	<u>2,182</u>	<u>-</u>	<u>-</u>	<u>2,182</u>
	<u>\$ 152,672</u>	<u>\$ 29,029</u>	<u>\$ -</u>	<u>\$ 181,701</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized foreign exchange loss	\$ 4,676	\$ 498	\$ (424)	\$ 4,750
Unrealized inventory loss	3,253	156	(28)	3,381
Financial assets at fair value through profit or loss	13,698	(13,698)	-	-
Others	<u>8,982</u>	<u>(657)</u>	<u>(219)</u>	<u>8,106</u>
	<u>\$ 30,609</u>	<u>\$ (13,701)</u>	<u>\$ (671)</u>	<u>\$ 16,237</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 84,725	\$ 31,068	\$ -	\$ 115,793
Deferred pension expense	11,660	208	-	11,868
Unrealized foreign exchange gain	22,724	105	-	22,829
Land value increment tax	<u>2,182</u>	<u>-</u>	<u>-</u>	<u>2,182</u>
	<u>\$ 121,291</u>	<u>\$ 31,381</u>	<u>\$ -</u>	<u>\$ 152,672</u>

- d. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Loss carryforwards		
Expiry in 2022	\$ -	\$ 217,678
Expiry in 2023	70,766	186,992
Expiry in 2024	173,965	224,049
Expiry in 2025	154,834	135,507
Expiry in 2026	135,955	116,733
Expiry in 2027	137,771	125,423
Expiry in 2028	181,130	181,130
Expiry in 2029	369,028	689,800
Expiry in 2030	138,211	117,533
Expiry in 2031	26,060	44,992
Expiry in 2032	<u>54,518</u>	<u>-</u>
	<u>\$ 1,442,238</u>	<u>\$ 2,039,837</u>
Deductible temporary differences		
Net defined benefit liabilities	\$ 122,644	\$ 145,809
Unrealized inventory loss	8,826	8,826
Allowance for impairment loss that exceeded the limitation of tax laws	<u>1,376</u>	<u>764</u>
	<u>\$ 132,846</u>	<u>\$ 155,399</u>

- e. Information about unused loss carryforwards

Expiry Year	Unused Amount
2023	\$ 70,766
2024	173,965
2025	154,834
2026	135,955
2027	137,771
2028	181,130
2029	369,028
2030	138,211
2031	26,060
2032	<u>54,518</u>
	<u>\$ 1,442,238</u>

- f. Income tax assessments

The income tax returns of the Company, Asia Tech, Powerlink TWN BR, AOE Optronics and Taiwan Top through 2020 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	Net Income (Numerator)	Number of Shares (Denominator In Thousands)	Earnings Per Share NT\$
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income available to owners of the Company	\$ 924,425	280,665	<u>\$ 3.29</u>
Dilutive effects			
Subsidiaries' compensation of employees	(2,988)	-	
Company's compensation of employees	<u>-</u>	<u>3,825</u>	
Diluted EPS			
Net income available to owners of the Company	<u>\$ 921,437</u>	<u>284,490</u>	<u>\$ 3.24</u>
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to owners of the Company	\$ 1,500,788	281,084	<u>\$ 5.34</u>
Dilutive effects			
Subsidiaries' compensation of employees	(2,061)	-	
Company's compensation of employees	<u>-</u>	<u>2,953</u>	
Diluted EPS			
Net income available to owners of the Company	<u>\$ 1,498,727</u>	<u>284,037</u>	<u>\$ 5.28</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assume the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Yorkey Cayman bought back 1,554 thousand treasury shares in 2021; thus, the Group's ownership interest in Yorkey Cayman increased from 27.73% to 27.79%. As a result, the Group recognized capital surplus of \$646 thousand.

In March 2022, the Group acquired 72.21% of the shares of Yorkey Cayman from other shareholders of Yorkey Cayman; thus, the Group's ownership interest in Yorkey Cayman increased from 27.79% to 100%.

	YORKEY CAYMAN	
	2022	2021
Cash consideration paid	\$ (2,114,252)	\$ (2,784)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>1,751,347</u>	<u>3,430</u>
Differences recognized from equity transactions	<u>\$ (362,905)</u>	<u>\$ 646</u>
<u>Line items adjusted for equity transactions</u>		
Unappropriated earnings	\$ (362,905)	\$ -
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>646</u>
	<u>\$ (362,905)</u>	<u>\$ 646</u>

The Group subscribed for additional new shares of AOE Optronics at a percentage different from its existing ownership percentage in July 2021, thereby increasing its continuing interest to 98.01%.

	<u>AOE Optronics</u>
	2021
Cash consideration paid	\$ (133,172)
The proportionate share of the carrying amount of the net assets of subsidiary transferred from non-controlling interests	<u>132,427</u>
Differences recognized from equity transactions	<u>\$ (745)</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (745)</u>

The Group subscribed for additional new shares of Taiwan Top at a percentage different from its existing ownership percentage in August 2022, thereby increasing its continuing interest from 95.52% to 93.62%.

	<u>Taiwan Top</u>
	2022
Cash consideration paid	\$ (25,324)
The proportionate share of the carrying amount of the net assets of subsidiary transferred from non-controlling interests	<u>25,682</u>
Differences recognized from equity transactions	<u>\$ 358</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 358</u>

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

28. NON-CASH TRANSACTIONS

For the years ended December 31, 2022 and 2021, the Group entered into the following non-cash financing activities which were not reflected in the consolidated statements of cash flows:

The Group reclassified prepayments for equipment in the amounts of \$37,131 thousand and \$34,441 thousand to property, plant and equipment for the years ended December 31, 2022 and 2021, respectively.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued ordinary shares, capital surplus, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ 119,244	\$ -	\$ 119,244
Domestic unlisted shares	-	47,752	-	47,752
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Foreign unlisted shares	-	158,529	-	158,529
Domestic unlisted shares	-	47,316	-	47,316

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	Market approach: using the market transaction price and other relevant information of same or comparable (similar) assets and liabilities, or a group of assets and liabilities (e.g., operation). Asset approach: measuring the fair value of individual assets and liabilities at net asset value.

(Continued)

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	Income approach: utilizing discounted cash flows to determine the present value of the expected future economic benefits that will be derived from investment. (Concluded)

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 13,288,869	\$ 14,958,820
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	166,996	205,845
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	3,272,675	4,375,927

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity of more than 3 months, notes and trade receivables, other financial assets and refundable deposits and so on.
- 2) The balances include financial liabilities at amortized cost, which comprise notes and trade payables, other payables and guarantee deposits received and so on.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

1) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities are shown in Note 34.

Sensitivity analysis

The Group was mainly exposed to the USD, HKD, EUR, JPY and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Numbers below indicate the change in pre-tax profit or loss associated with the New Taiwan dollar strengthening 1% against the relevant currency:

	For the Year Ended December 31	
	2022	2021
Profit or loss		
USD impact	\$ 24,568	\$ 16,460
RMB impact	4,670	9,584
JPY impact	733	4,802
HKD impact	-	1,138

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

2) Interest rate risk

The Group was exposed to interest rate risk because the Group's deposits and lease liabilities are at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 6,005,968	\$ 5,725,544
Lease liabilities	44,617	62,714
Cash flow interest rate risk		
Financial assets	3,158,060	4,480,005

Sensitivity analysis

If interest rates had been 5% basis points higher/lower and all other variables been held constant, the Group's pretax profits for the years ended December 31, 2022 and 2021 would have increased/decreased by \$3,237 thousand and \$655 thousand, respectively. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less Than 1 Year	1-5 Years	More Than 5 Years	Total
<u>December 31, 2022</u>				
Non-interest bearing Lease liabilities	\$ 4,579,111 <u>19,979</u>	\$ 7,856 <u>26,339</u>	\$ - <u>742</u>	\$ 4,586,967 <u>47,060</u>
	<u>\$ 4,599,090</u>	<u>\$ 34,195</u>	<u>\$ 742</u>	<u>\$ 4,634,027</u>
<u>December 31, 2021</u>				
Non-interest bearing Lease liabilities	\$ 5,677,432 <u>21,307</u>	\$ 7,688 <u>44,813</u>	\$ - <u>817</u>	\$ 5,685,120 <u>66,937</u>
	<u>\$ 5,698,739</u>	<u>\$ 52,501</u>	<u>\$ 817</u>	<u>\$ 5,752,057</u>

31. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party names and category

<u>Related Party</u>	<u>Relationship Party Category</u>
Dong-Guan Nikon	Associate
Guangdong Nikon Camera Ltd. (Guangdong Nikon)	Key management personnel
Hoya Corporation (Hoya)	Substantive related party

b. Trading transactions

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2022	2021
Sales	Associate	\$ 68	\$ 58
	Key management personnel	<u>-</u>	<u>1,004</u>
		<u>\$ 68</u>	<u>\$ 1,062</u>
Purchases of goods	Associate	<u>\$ 58,773</u>	<u>\$ 69,035</u>
Operating expense	Substantive related party	<u>\$ -</u>	<u>\$ 1,124</u>
Rental income	Associate	\$ 2,000	\$ 1,869
	Key management personnel	<u>-</u>	<u>1,907</u>
		<u>\$ 2,000</u>	<u>\$ 3,776</u>

Purchases were made at discounted market price to reflect the quantity of goods purchased and relationships between the parties. The payment terms to related parties were not significantly different from those of purchases from third parties.

The rentals were based on the market rentals in the area, and were paid monthly.

c. Receivables from related parties

Line Item	Related Party Category	<u>December 31</u>	
		2022	2021
Trade receivables	Associate	<u>\$ -</u>	<u>\$ 30</u>
Other financial assets - current	Associate	<u>\$ 174</u>	<u>\$ 58</u>

d. Payables to related parties

Line Item	Related Party Category	<u>December 31</u>	
		2022	2021
Trade payables	Associate	<u>\$ 12,276</u>	<u>\$ 7,869</u>

e. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ <u>83,295</u>	\$ <u>52,532</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

32. PLEDGED ASSETS

The following assets have been pledged as collateral to meet customs duty and performance guarantee:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at amortized cost - current	\$ <u>-</u>	\$ <u>200</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group were as follows:

- a. As of December 31, 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$1,845 thousand.
- b. In order to provide for sufficient operating funds, the Company obtained a syndicated loan with a credit line of US\$60,000 thousand with Chinatrust Commercial Bank and the related management group. The Company is required to maintain its current ratio at no less than 100%, debt ratio less than 110%, interest coverage ratio at no less than 4 times and the value of net tangible assets at no less than NT\$12 billion during the contractual period of the loan agreement. The Group has not drawn against the credit line as of December 31, 2022.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	<u>December 31, 2022</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
Monetary items				
USD	\$ 172,939	30.71	(USD:NTD)	\$ 5,310,957
USD	116,804	6.9646	(USD:RMB)	3,587,051
USD	6,198	56.4211	(USD:PHP)	190,341
JPY	773,321	0.0527	(JPY:USD)	179,701
RMB	105,904	0.1436	(RMB:USD)	467,032

(Continued)

	December 31, 2022			
	Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 170,235	30.71	(USD:NTD)	\$ 5,227,917
USD	30,193	6.9646	(USD:RMB)	927,227
USD	15,512	56.4211	(USD:PHP)	476,374
JPY	455,822	0.0076	(JPY:USD)	106,387
				(Concluded)

	December 31, 2021			
	Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 168,638	27.68	(USD:NTD)	\$ 4,667,900
USD	106,919	6.3757	(USD:RMB)	2,959,518
USD	7,422	51.7093	(USD:PHP)	205,441
JPY	2,912,954	0.0087	(JPY:USD)	701,486
HKD	32,070	0.1282	(HKD:USD)	113,803
RMB	220,824	0.1568	(RMB:USD)	958,426

Financial liabilities

Monetary items				
USD	168,596	27.68	(USD:NTD)	4,666,737
USD	36,672	6.3757	(USD:RMB)	1,015,081
USD	18,247	51.7093	(USD:PHP)	505,077
JPY	919,036	0.0087	(JPY:USD)	221,319

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange were gains \$180,635 thousand and losses \$119,619 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 3.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
 - 9) Trading in derivative instruments: None.
 - 10) Intercompany relationships and significant intercompany transactions: Table 6.
- b. Information on investees: Table 7.
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 8.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 4.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 4.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Note 31.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder : Table 9

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group's reportable segments included optical components, contact image sensor modules, optronics components, optronics products and digital camera.

a. Segment revenue and results

	Segment Revenue		Segment Profit (Loss)	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Optical components	\$ 10,345,152	\$ 11,834,873	\$ (83,189)	\$ 709,908
Contact image sensor modules	4,293,250	4,191,351	540,927	512,388
Optronics components	2,040,755	1,924,036	100,665	54,495
Optronics products	1,448,173	2,298,056	423,627	530,294
Digital camera	<u>1,239,005</u>	<u>1,086,467</u>	<u>205,752</u>	<u>104,895</u>
	<u>\$ 19,366,335</u>	<u>\$ 21,334,783</u>	<u>\$ 1,187,782</u>	<u>\$ 1,911,980</u>

b. Adjustment of segment revenue and profit

1) Segment revenue

	For the Year Ended December 31	
	2022	2021
Reportable segment revenue	\$ 19,366,335	\$ 21,334,783
Eliminated intersegment revenue	<u>(289,287)</u>	<u>(357,976)</u>
Net sale	<u>\$ 19,077,048</u>	<u>\$ 20,976,807</u>

2) Segment profits

	For the Year Ended December 31	
	2022	2021
Reportable segment income	\$ 1,187,782	\$ 1,911,980
Amortization general and administrative expenses	147,929	133,328
Other profit (loss)	(115)	(89)
Other revenue	181,638	115,204
Other income and loss	(8,380)	(10,048)
Financial costs	(3,197)	(1,296)
Net gain (loss) on fair value change of financial assets mandatorily classified as FVTPL	(61,778)	17,550
Share of profit of associates	3,002	1,950
Interest income	89,981	38,511
Foreign exchange gain (loss), net	<u>180,635</u>	<u>(119,619)</u>
Net income before income tax	<u>\$ 1,717,497</u>	<u>\$ 2,087,471</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2022 and 2021.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' compensation, share of profit of associates, interest income, rental income, dividend income, gain or loss on disposal of assets, net exchange gain or loss, valuation gain or loss on financial instruments, interest expense and income tax expense. This is the amount reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

c. Segment assets and liabilities

The information on the assets and liabilities of each segment has not been reported to the chief operating decision maker.

d. Geographical information

The Group operates in two principal geographical areas - Asia and America.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from		Non-current Assets	
	External Customers		December 31	
	For the Year Ended December 31			
	2022	2021	2022	2021
Asia	\$ 15,269,410	\$ 14,743,834	\$ 3,321,456	\$ 3,419,463
America	<u>3,807,638</u>	<u>6,232,973</u>	<u>44,248</u>	<u>28,364</u>
	<u>\$ 19,077,048</u>	<u>\$ 20,976,807</u>	<u>\$ 3,365,704</u>	<u>\$ 3,447,827</u>

Non-current assets exclude financial assets measured at cost, investments accounted for using the equity method and deferred tax assets.

e. Information on major customers

For the years ended December 31, 2022 and 2021, the revenue from sales to the Group's largest customer was \$1,600,519 thousand and \$1,961,376 thousand, respectively. No other single customer contributed 10% or more to the Group's revenue.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower (Note 2)	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
1	Shen Zhen Sintai	Shang Hai Sintai	Receivables from related parties	Yes	\$ 181,690 (RMB 41,200)	\$ 175,075 (RMB 39,700)	\$ 175,075 (RMB 39,700)	0.5	Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 1,000,000	\$ 2,000,000
Total						\$ 175,075	\$ 175,075			\$ -		\$ -		\$ -		

Note 1: The lending amount to a company shall not exceed forty percent (40%) of the net worth of the Company, and the aggregate amount for lending shall not exceed fifty percent (50%) of the net worth of the Company. The restriction of these term shall not apply to inter-company loans for funding between 100% owned subsidiaries, and the Group sets an additional rule that the amount available for lending purpose between 100% owned subsidiaries shall be (a) no more than NT\$1 billion for the individual financier and (b) no more than NT\$2 billion in total.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2022			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Asia Optical	<u>Shares</u> OTO Brite	None	Financial assets at FVTPL - non-current	2,902,846	\$ 47,752	9	\$ 47,752
Asia International	<u>Equity</u> Pioneer	None	Financial assets at FVTPL - non-current	-	114,641	12	114,641
	OTO Brite	None	Financial assets at FVTPL - non-current	1,760	-	49	-
	Shisei Datum	None	Financial assets at FVTPL - non-current	2,718	-	29	-
Shen Zhen Sintal	<u>Equity</u> Guangdong Xinwei	None	Financial assets at FVTPL - non-current	-	4,603	38	4,603
Powerlink	<u>Shares</u> Kotura	None	Financial assets at FVTPL - non-current	1,000	-	1	-

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Price	Book Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount (Note)
Asia International	Yorkey Cayman	Investments accounted for using the equity method	-	Subsidiary	186,833	\$ 549,526	589,813	\$ 2,114,252	-	\$ -	\$ -	\$ -	776,346	\$ 2,663,778

Note : Intercompany accounts and transactions have been eliminated.

TABLE 4

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Asia Optical	Asia International	Note 1	Sales	\$ (211,773)	(4)	30-180 days	-	-	\$ 7,692	1	Note 2
	Powerlink TWN BR	Note 1	Sales	(157,808)	(3)	30-180 days	-	-	-	-	Note 2
	Shen Zhen Sintai	Note 1	Purchases	476,954	14	30-180 days	-	-	(162,483)	5	Note 2
	Myanmar Asia	Note 1	Purchases	190,855	6	30-180 days	-	-	(116,794)	3	Note 2
	Dong-Guan Sintai	Note 1	Purchases	259,045	8	30-180 days	-	-	(143,678)	4	Note 2
	Dong-Guan Tailien	Note 1	Purchases	230,582	7	30-180 days	-	-	148,461)	4	Note 2
	Asia Scopro	Note 1	Purchases	132,743	4	30-180 days	-	-	60,073)	2	Note 2
Asia International	Shen Zhen Sintai	Note 1	Purchases	1,744,917	17	30-180 days	-	-	(1,600,509)	(62)	Note 2
	Myanmar Asia	Note 1	Purchases	218,180	2	30-180 days	-	-	-	-	Note 2
	Dong-Guan Sintai	Note 1	Purchases	337,247	3	30-180 days	-	-	(145,998)	(6)	Note 2
	Dong-Guan Tailien	Note 1	Purchases	170,747	2	30-180 days	-	-	-	-	Note 2
	Asia Optical	Note 1	Purchases	211,773	2	30-180 days	-	-	-	-	Note 2
Powerlink Cayman	Powerlink TWN BR	Note 1	Sales	(793,655)	(88)	30-180 days	-	-	321,060	72	Note 2
	Scopro	Note 1	Purchases	214,176	28	30-180 days	-	-	-	-	Note 2
	Asia Scopro	Note 1	Purchases	210,071	27	30-180 days	-	-	-	-	Note 2
Powerlink TWN BR	Powerlink Cayman	Note 1	Purchases	793,655	70	30-180 days	-	-	(320,252)	(100)	Note 2
	Asia Optical	Note 1	Purchases	157,808	14	30-180 days	-	-	-	-	Note 2
Asia Scopro	Powerlink Cayman	Note 1	Sales	(210,071)	(61)	30-180 days	-	-	-	-	Note 2
	Asia Optical	Note 1	Sales	(132,743)	(39)	30-180 days	-	-	59,995	100	Note 2
Asia Tech	Asia Tech Samoa	Note 1	Purchases	3,417,362	100	30-180 days	-	-	(1,737,012)	(100)	Note 2
Asia Tech Samoa	Asia Tech	Note 1	Sales	(3,417,362)	(100)	30-180 days	-	-	1,737,012	100	Note 2
	Shen Zhen Atii	Note 1	Purchases	2,156,426	71	30-180 days	-	-	(1,234,532)	(70)	Note 2
Shen Zhen Atii	Asia Tech Samoa	Note 1	Sales	(2,156,426)	(87)	30-180 days	-	-	1,234,532	90	Note 2
AOE Shen Zhen	Shen Zhen Sintai	Note 1	Purchases	352,494	33	30-180 days	-	-	(16,650)	(5)	Note 2
	AOE Cayman	Note 1	Sales	(279,382)	(14)	30-180 days	-	-	-	-	Note 2
	AOE Cayman	Note 1	Purchases	238,799	23	30-180 days	-	-	(188,899)	(53)	Note 2

(Continued)

Purchaser or Seller	Related Party	Nature of the Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
AOE Cayman	AOE Shen Zhen	Note 1	Purchases	\$ 279,382	53	30-180 days	-	-	\$ -	-	Note 2
	AOE Shen Zhen	Note 1	Sales	(238,799)	(46)	30-180 days	-	-	213,906	86	Note 2
	AOE Optronics	Note 1	Sales	(188,002)	(36)	30-180 days	-	-	21,769	9	Note 2
AOE Optronics	AOE Cayman	Note 1	Purchases	188,002	62	30-180 days	-	-	(18,643)	(24)	Note 2
Dong-Guan Tailien	Asia International	Note 1	Sales	(170,747)	(26)	30-180 days	-	-	-	-	Note 2
	Asia Optical	Note 1	Sales	(230,582)	(35)	30-180 days	-	-	149,214	45	Note 2
Dong-Guan Sintai	Asia International	Note 1	Sales	(337,247)	(49)	30-180 days	-	-	147,268	49	Note 2
	Asia Optical	Note 1	Sales	(259,045)	(37)	30-180 days	-	-	149,639	50	Note 2
Shen Zhen Sintai	Asia International	Note 1	Sales	(1,744,917)	(42)	30-180 days	-	-	1,774,610	83	Note 2
	AOE Shen Zhen	Note 1	Sales	(352,494)	(9)	30-180 days	-	-	22,337	1	Note 2
	Asia Optical	Note 1	Sales	(476,954)	(12)	30-180 days	-	-	167,337	8	Note 2
Myanmar Asia	Asia International	Note 1	Sales	(218,180)	(53)	30-180 days	-	-	-	-	Note 2
	Asia Optical	Note 1	Sales	(190,855)	(47)		-	-	119,265	100	Note 2
Dong-Guan Yorkey	Yorkey Technology	Note 1	Sales	(1,305,510)	(69)	30-180 days	-	-	1,333,765	91	Note 2
	Yorkey Technology	Note 1	Purchases	213,750	33	30-180 days	-	-	-	-	Note 2
Yorkey Technology	Dong-Guan Yorkey	Note 1	Sales	(213,750)	(13)	30-180 days	-	-	-	-	Note 2
	Dong-Guan Yorkey	Note 1	Purchases	1,305,510	86	30-180 days	-	-	(1,333,765)	(96)	Note 2
Scopro	Powerlink Cayman	Note 1	Sales	(214,176)	(69)	30-180 days	-	-	-	-	Note 2

(Concluded)

Note 1: Refer to Note 11 to the consolidated financial statements.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Asia International	Myanmar Asia	Subsidiary of Asia International	\$ 2,480,105	Note 1	\$ -	-	\$ 40,737	\$ -
	AOE Cayman	Affiliate	186,718	Note 1	-	-	1,094	-
	Asia Optical	Parent company of Asia International	2,431,034	Note 1	-	-	259,103	-
	Asia Optical	Parent company of Asia International	462,274	Note 1	-	-	-	-
	Dong-Guan Tailien	Affiliate	211,768	Note 1	-	-	-	-
AOE Cayman	AOE Shen Zhen	Subsidiary of AOE Cayman	213,906	Note 1	-	-	133,422	-
	AOE Shen Zhen	Subsidiary of AOE Cayman	894,024	Note 1	-	-	-	-
Powerlink TWN BR	Asia Scopro	Affiliate	129,755	Note 1	-	-	129,755	-
	Scopro	Affiliate	117,582	Note 1	-	-	117,582	-
Dong-Guan Sintai	Asia International	Parent company of Dong Guan Sintai	147,268	Note 1	-	-	3,072	-
	Asia Optical	Parent company of Asia International	149,639	Note 1	-	-	10,975	-
Dong-Guan Tailien	Asia Optical	Parent company of Asia International	149,214	Note 1	-	-	26,714	-
Shen Zhen Sintai	Asia International	Parent company of Shen Zhen Sintai	1,774,610	Note 1	-	-	17,061	-
	Shang Hai Sintai	Affiliate	177,873	Note 1	-	-	-	-
	Asia Optical	Parent company of Asia International	167,337	Note 1	-	-	34,518	-
Myanmar Asia	Asia Optical	Parent company of Asia International	119,265	Note 1	-	-	-	-
Powerlink Cayman	Powerlink TWN BR	Branches operations of Powerlink Cayman	321,060	Note 1	-	-	73,725	-
Asia Tech Samoa	Asia Tech	Parent company of Asia Tech Samoa	1,737,012	Note 1	-	-	185,887	-
Shen Zhen Atii	Asia Tech Samoa	Parent company of Shen Zhen Atii	1,234,532	Note 1	-	-	15,056	-
Dong-Guan Yorkey	Yorkey Technology	Parent company of Dong-Guan Yorkey	1,333,765	Note 1	-	-	71,289	-

Note 1: The receivables resulted from purchases of materials and property, plant, and equipment on behalf of Asia International and loan transaction; thus, turnover analysis was not suitable.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Number	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
0	Asia Optical	Asia International	1	Sales	\$ 211,773	30-180 days	1
				Trade payables	2,326,946	30-180 days	11
				Other payables	574,054	-	3
				Advance sales receipt	407,535	-	2
		Dong-Guan Tailien	1	Purchases	230,582	30-180 days	1
				Trade payables	148,461	30-180 days	1
		Dong-Guan Sintai	1	Purchases	259,045	30-180 days	1
				Trade payables	143,678	-	1
		Shen Zhen Sintai	1	Purchases	476,954	30-180 days	3
				Trade payables	162,483	-	1
Myanmar Asia	1	Purchases	190,855	30-180 days	1		
		Trade payables	116,794	-	1		
Powerlink TWN BR	1	Sales	157,808	30-180 days	1		
		Asia Scopro	1	Purchases	132,743	30-180 days	1
1	Asia International	Dong-Guan Tailien	2	Purchases	170,747	30-180 days	1
				Trade receivables	211,768	30-180 days	1
		Dong-Guan Sintai	2	Purchases	337,247	30-180 days	2
				Trade payables	145,998	30-180 days	1
		Shen Zhen Sintai	2	Purchases	1,744,917	30-180 days	9
				Trade payables	1,600,509	30-180 days	8
		Myanmar Asia	2	Other payables	174,101	30-180 days	1
				Purchases	218,180	30-180 days	1
AOE Cayman	2	Trade receivables	2,480,105	30-180 days	12		
		Trade receivables	186,718	30-180 days	1		
2	AOE Optronics	AOE Cayman	2	Purchases	188,002	30-180 days	1
3	Powerlink TWN BR	Scopro	2	Trade receivables	117,582	30-180 days	1
		Asia Scopro	2	Trade receivables	129,755	30-180 days	1
4	Asia Tech	Asia Tech Samoa	2	Purchases	3,417,362	30-180 days	18
				Trade payables	1,737,012	30-180 days	9
5	Asia Tech Samoa	Shen Zhen Atii	2	Purchases	2,156,426	30-180 days	11
				Trade payables	1,234,532	30-180 days	6
6	AOE Cayman	AOE Shen Zhen	2	Sales	238,799	30-180 days	1
				Purchases	279,382	30-180 days	1
				Trade receivables	213,906	30-180 days	1
				Other financial assets - current	894,024	-	4

(Continued)

Number	Company Name	Counter-party	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
7	Shen Zhen Sintai	Shang Hai Sintai	2	Other financial assets - current	\$ 177,873	-	1
		AOE Shen Zhen	2	Sales	352,494	30-180 days	2
8	Powerlink Cayman	Scopro	2	Purchases	214,176	30-180 days	1
		Asia Scopro	2	Purchases	210,071	30-180 days	1
		Powerlink TWN BR	2	Sales	793,655	30-180 days	4
				Trade receivables	321,060	30-180 days	2
9	Yorkey Technology	Dong-Guan Yorkey	2	Sales	213,750	30-180 days	1
				Purchases	1,305,510	30-180 days	7
				Trade payables	1,333,765	30-180 days	7

(Concluded)

Note 1: 1. From the parent company to the subsidiary.

2. From the subsidiary to the subsidiary.

Note 2: The percentage of transactions to consolidated assets and liabilities items are calculated at the balance as of the end of reporting period; income and expense items are calculated at the accumulated amount of consolidated sales.

Note 3: Intercompany accounts and transactions have been eliminated.

TABLE 7

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of DECEMBER 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
Asia Optical	Asia International	British Virgin Islands	Sale of riflescopes, lenses and optical components	\$ 2,701,520	\$ 2,701,520	15,686,000	100	\$ 11,479,752	\$ 471,124	\$ 471,124	Subsidiary
	Powerlink Cayman	Cayman Islands	Trading company	44,392	44,392	1,500,000	100	789,355	37,518	37,518	Subsidiary
	Asia Tech	New Taipei	Sale of precision instruments and image sensors	231,753	231,753	19,027,964	26	816,326	578,726	151,810	Subsidiary
	Powerlink	British Virgin Islands	Sale of riflescopes, lenses and optical components	14,000	14,000	50,000	100	(77,396)	(39,998)	(39,998)	Subsidiary
	Richman	British Virgin Islands	Holding company	99,520	172,295	2,566,000	100	123,167	11,186	11,186	Subsidiary
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	1,921,610	1,921,610	19,065,843	95	633,971	109,691	104,679	Subsidiary
	Taiwan Top	Changhua	Manufacture and sale of cameras, copy machines, printers and facsimile machines	588,105	562,781	8,248,348	94	141,724	30	(3)	Subsidiary
Asia International	Yorkey Cayman	Cayman Islands	Holding company	2,663,778	549,526	776,346,000	95	1,284,824	189,552	191,136	Indirect Subsidiary
	Pentax Sintai	Hong Kong	Trading company	42,557	42,557	9,360,000	45	-	-	-	Note
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	298,179	298,179	506,880	3	16,861	109,691	2,786	Subsidiary
	AOIDC	Japan	Development and technology services	22,071	22,071	100	100	29,435	293	293	Indirect Subsidiary
	Myanmar Asia	Myanmar Yangon	Manufacture of lens and related product	634,082	365,865	1,998,572	100	(1,596,513)	(163,486)	(163,486)	Indirect subsidiary
Powerlink Cayman	Asia Scopro	Philippines Calamba	Manufacture and trade of riflescopes, lenses and optical component	17,043	17,043	241,000	100	(42,323)	(16,210)	(16,210)	Indirect subsidiary
	ASAM	Philippines Calamba	Anode processing factory	9,690	9,690	150,000	100	44,494	(6,080)	(6,080)	Indirect subsidiary
Asia Tech	Asia Tech Samoa	Samoa	Sale of precision instruments and image sensor	845,520	845,520	18,662,310	100	2,685,269	172,191	172,191	Indirect Subsidiary
Powerlink	Scopro	Philippines Manila	Manufacture and trade of riflescopes, lenses and optical component	5,119	5,119	4,000,000	100	(86,908)	(37,718)	(37,718)	Indirect subsidiary
Richman	Yorkey Cayman	Cayman Islands	Holding company	291,289	291,289	40,000,000	5	66,059	189,552	9,288	Indirect Subsidiary
	Crosszone	British Virgin Islands	Trading company	1,568	1,568	50,000	100	(2,979)	(427)	(427)	Indirect subsidiary
AOE Optronics	AOE Cayman	Cayman Islands	Sale of cell phone related products	1,311,447	1,311,447	44,176,066	100	578,315	167,517	167,517	Indirect subsidiary
Yorkey Cayman	Yorkey Technology	Samoa	Trading company	2,560,518	2,560,518	550,001	100	315,411	12,698	12,698	Indirect subsidiary

Note: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of DECEMBER 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of DECEMBER 31, 2022	Accumulated Repatriation of Investment Income as of DECEMBER 31, 2022
					Outward	Inward						
Shen Zhen Sintai	Manufacture of laser printers, cameras, scanners and plastic products	US\$ 38,000	(2)	\$ 1,270,274 (US\$ 38,000)	\$ -	\$ -	\$ 1,270,274 (US\$ 38,000)	\$ 115,955	100	\$ 115,955	\$ 3,056,290	\$ -
Dong-Guan Sintai	Manufacture of optical components and finished products	US\$ 16,600	(2)	1,234,670 (US\$ 35,937)	-	-	1,234,670 (US\$ 35,937)	4,830	100	4,830	460,684	454,587 (US\$ 14,000)
Shen Zhen Atii	Manufacture and sale of image sensor	US\$ 10,000	(2)	170,256 (US\$ 5,400)	-	-	170,256 (US\$ 5,400)	164,804	26	43,156	452,903	-
Shang Hai Sintai	Manufacture and sale of parts of DV and DSC	US\$ 34,000	(2)	1,098,606 (US\$ 34,000)	-	-	1,098,606 (US\$ 34,000)	(12,385)	100	(12,385)	85,219	-
Xingfung Sintai	Manufacture and sale of DVD players, DVD pickup heads and parts	US\$ 29,137	(2)	145,656 (US\$ 4,200)	-	-	145,656 (US\$ 4,200)	-	12	-	114,641	74,541 (US\$ 2,599)
Dong-Guan Tailien	Manufacture and processing of cameras and parts	US\$ 3,160	(2)	123,440 (US\$ 4,000)	-	-	123,440 (US\$ 4,000)	21,197	61	13,467	120,524	84,435 (US\$ 2,751)
			(3)	11,163 (US\$ 420)	-	-	11,163 (US\$ 420)	21,197	17	3,623	33,596	39,546 (US\$ 1,255)
			(2)	22,614 (US\$ 700)	-	-	22,614 (US\$ 700)	21,197	12	2,441	22,639	18,812 (US\$ 589)
Dong-Guan Yorkey	Manufacture of plastic and metallic parts, molds and cases of optical and optronics products	US\$ 20,680	(2)	291,289 (US\$ 9,079)	-	-	291,289 (US\$ 9,079)	189,784	5	9,299	75,236	-
			(2)	549,526 (US\$ 18,553)	2,114,252 (US\$ 75,441)	-	2,663,778 (US\$ 93,994)	189,784	95	181,336	1,462,922	-
Shen Zhen Pentax Sintai	Manufacture and sale of optical instruments	HK\$ 12,600	(Note 4)	27,703 (US\$ 845)	-	-	27,703 (US\$ 845)	-	-	-	-	-
Dong-Guan Nikon	Research and manufacture of equipment for electronic use	US\$ 2,000	(2)	27,772 (US\$ 800)	-	-	27,772 (US\$ 800)	7,505	40	3,002	46,741	-
AOE Shen Zhen	Manufacture of cell phone related products	US\$ 12,000	(2)	360,186 (US\$ 12,000)	-	-	360,186 (US\$ 12,000)	167,647	95	159,952	(368,466)	-
Guangdong Xinwei	Manufacture of car	RMB\$ 9,100	(2)	-	-	-	-	167,647	3	4,258	(9,808)	-
									38	-	4,603	-

Accumulated Outward Remittance for Investment in Mainland China as of DECEMBER 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 7,791,858 (US\$ 235,131)	\$ 10,280,622 (US\$ 328,042)	(Note 3)

Note 1: The investments were made as follows:

- (1) The investment was made directly by a subsidiary located in mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China (refer to Note 11 to the accompanying consolidated financial statements; in addition, Asia International is the investor of Pioneer and Dong-Guan Nikon).
- (3) Others

Note 2: Investment gain (loss) was recognized based on the financial statements audited by an independent auditor of the parent company.

Note 3: Under the "Regulations for the Screening of Applications to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the amount of investment in mainland China has no limit since the parent company, Asia Optical Co., Inc. had acquired the approval by the Industrial Development Bureau to establish operating headquarters in Taiwan.

Note 4: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
I-Jen Lai	17,907,039	6.37%
Tsih-Mei Industrial Co., Ltd.	16,500,000	5.87%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.